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WEST EUROPE REPORT

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PAPER COMMENTS ON GAS DISPUTE BETWEEN COMPANY, STATE

Copenhagen BERLINGSKE TIDENDE in Danish 2 Feb 82 p 8

[Editorial: "The Season of Natural Gas"]

[Text] The state-owned oil and natural gas company (DONG) [Danish Oil and Natural Gas Company] is now exerting pressure to obtain an early expansion of the natural gas area. At the same time, the company wants to get the possibility of using price fixing rules differing from those otherwise applied by the price fixing authorities under the present legislation. If these and other changes are not obtained soon, the Treasury may expect considerable losses on the project, according to the latest progress report from DONG.

The Folketing should not yield to the gutter policy pursued by DONG. For the difficulties which DONG and the Ministry of Energy are now encountering with regard to the natural gas project are, in fact, self-inflicted.

In the first place, it is unrealistic for the chairman of DONG to claim that the project clearly is profitable from an economic point of view and that this profitability has increased *pari passu* with the increase in oil prices during the last few years. It is true that the profitability of the project, viewed separately, has increased, but it has, however, been calculated on the basis of a heating situation which has been largely dominated by oil heating, which, in any circumstances, would be assumed to be changed in the course of the number of years covered by the natural gas calculations. The truth is, in other words, that economic profitability calculations were never carried through--or at least not published--for the natural gas project, comparing this project with realistic heating alternatives, for example based on heat power plants. For that reason, it is also in practice impossible to assess the economic profitability of the gas project.

In the second place, it is in itself extremely problematic for the Folketing to have adopted other rules for the calculation of heating costs than those which DONG now wants to apply. If DONG is given the possibility of using the so-called substitution prices, for example in respect of the major industrial customers, a structure in energy costs will be frozen which may have an entirely unreasonable effect on competition. To this comes, moreover, that the entire interplay between the municipal heating planning and the natural gas planning within the scheduled natural gas areas will confuse the question of responsibility and the possibility of citizens to understand which public authorities make the various decisions.

Finally, on the basis of the discussion on the structure and area of operation of DONG, it should be inconceivable for the Folketing to sign any further checks in blanc for the benefit of that company. A much stricter political control of DONG's activities should first be established. This cannot be done merely by setting up a representative body but must involve radical organizational changes.

7262

CSO: 3106/63

BRIEFS

COMPANY ATTACKS GAS PLAN--The chairman of the board of DONG [Danish Oil and Natural Gas Company], Ambassador Jens Christensen, now demands entirely new guidelines for the natural gas project from the company's shareholder, Energy Minister Poul Nielson. This follows the refusal on the part of the energy minister to change the heating price law to ensure the state-owned company sufficiently high prices of natural gas among its industrial customers. Jens Christensen writes today in BERLINGSKE TIDENDE that the decline in profits at the sale of gas to industrial customers will increase the total interest burden of the entire gas project by "many hundred million kroner." At the same time, DONG is faced with a large number of other uncertain factors, enumerated in a report to the Ministry of Energy. A report which was published yesterday and which seriously questions the economic feasibility of the project. It is, first and foremost, savings in the energy consumption and excess investments in the regional companies which knock the bottom out of the gas project. Despite warnings from DONG, the energy minister, however, still believes that the gas project will yield enormous profits by the mid-nineties. DONG is doubtful, and Jens Christensen, therefore, writes in his article that one should not start distributing the profits by providing industry with cheap energy. "One might also, by way of low-cost heat, support the operation of social housing projects or nursing homes and nursery schools," Jens Christensen writes. "But one should realize that the money will have to come from somewhere." [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 5 Feb 82 p 1]

NEW NORTH SEA WELLS--The drilling rig "Mærsk Explorer" has completed the new production drillings at the B platform in the Gorm field. The drilling rig had already performed seven drillings at the A platform, and the last two drillings and the repair of one will now be carried through as soon as the weather conditions permit moving of the Mærsk Explorer drilling rig. Before the nine new wells may be put into production, the coupling to the treatment platform of the Gorm field must be carried through. This work is scheduled to take 6 weeks, and the entire Gorm field may, therefore, not be expected to be put into complete production until some time in the spring. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 2 Feb 82 pt III p 1]

7262

CSO: 3106/63

ECONOMIC STIMULATION PROGRAM ANNOUNCED, CRITICIZED

Zurich NEUE ZUERCHER ZEITUNG in German 15 Jan 82 p 3

[Article" "Bruno Kreisky's Stimulation Program. Solo Run In Economic And Nuclear Energy Policy"]

[Text] The Kreisky government and the two opposition parties OeVP [Austrian People's Party] and FPÖ [Austrian Liberal Party] seemed to have concluded the old year unusually peacefully and apparently under the star of a continued willingness for consensus. Yet this friendly climate scarcely survived even the Christmas holidays without damage: the return to politics in the New Year was marked by vigorous disagreements provoked by the surprising solo runs of Federal Chancellor Kreisky in the fields of economic and nuclear energy policy.

The conditions for closer cooperation of the parties in the past year were clearly of an economic nature. Scarcely was summer vacation over when it became clear that the assumption that Austria could continue to exist as a kind of "Paradise Island" with continuing full employment and at worst only marginal unemployment, amidst a sea of economic perils, was built on sand. The reports of the shaky position of the nationalized industries, particularly in the steel sector, where the showhorse of nationalized industry, the Voest-Alpine steel group, would need an unprecedented government subsidy in 1981 to legally balance its books, came as a genuine shock. Finance Minister Salcher's 1982 budget proposal later confirmed that the country, according to the predictions of economic researchers, would not be able to raise the funds for an active economic stimulation policy in this second year of economic stagnation, while at the same time employment prospects were becoming gloomy. In the meantime these predictions turned out to have been correct: at the end of December the number of unemployed had grown to 120,000, some 38,000 more than the year before. Unemployment on this scale had not existed in Austria since the second half of the 1960's.

The crisis in the steel industry and the gloomy prospects for employment may have been the chief reason for improvement of relationships between the two major parties until now and for the limited economic policy consensus between the government and the opposition that had finally been attained. There had been points of agreement for both sides in the economic programs laid down for the 1980's, which the three parties had presented as early as the spring of 1981. Kreisky and Mock had agreed last summer to search for commonalities in their programs. In November it was possible to put forward concrete results, in which the SPÖ declared its willingness to accept certain points in the OeVP program.

After several discussions Kreisky and Mock finally settled upon a kind of agreement in early December "for the relief and revitalization of the economy," in which the conclusions of the consultations of experts would be integrated as components of an economic and structural program of the government for 1982. The FPÖ, for the sake of balance, would be conceded a number of measures aimed at structurally weak regions of the country. Direction of the program efforts would remain with the Ministry of Finance.

Salcher presented the results of the beginning of this week at the New Year's meeting of the government with the heads of the government party and the socialist OeGB [Austrian Trade Union Federation] fraction as a special employment program, aimed primarily at reducing unemployment in the construction industry and secondly at stimulating investment in industry. Within its framework the federal government would offer the states an additional housing construction program for 5000 housing units that was slated to begin this coming spring. For urban renewal and restoration 1 billion schillings at 6 percent interest were allocated for 1982 (and for the years following). The difference between this and commercial interest rates was to be made up through subsidies from the federal government and the states. Funds for the program were to be raised from the insurance industry by means of a 12 year endowment policy, into which the federal government would pay one quarter of the annual premiums. Federal construction contracts were to be accelerated and highway and road construction were to get an additional 1.5 billion schillings. The normal tax incentives for investment (early depreciation, investment exemptions) were to be supplemented by an investment premium of 6 percent to be deducted from other taxes. The mobilization of private venture capital for small and medium businesses through special capital investment companies was to be recognized as a special tax-related obligation. In addition, a number of currently operating interest subsidy programs were to be expanded. Capital infusion for the nationalized steel industry, although supposedly only a balance sheet expedient, also figured in this program.

All in all the 1982 budget was to be only marginally encumbered; new federal indebtedness increased by only 2 to 2.5 billion schillings to a maximum of 31.5 billion schillings, while investment funding of some 10 billion schillings was to be mobilized and jobs created for from 19,000 to 23,000 workers, reducing the average unemployment from somewhat more than 3 percent to approximately 2.6 percent and expanding the gross national product by 0.8 percent in terms of real growth (1982 projection: 2 percent).

The extent and possible effects of the program are somewhat disproportionate to the impact of cyclical problems and only reflect the "Austro-Keynesianism" economic policy of the years since 1975. At that, no one in the circle of economic experts is inclined to give full credence to the Finance Ministry's assumptions of the hoped-for results. It is particularly uncertain whether industry will even accept the program's investment stimuli.

Among the sceptics even the chancellor himself can be numbered. Apparently mindful of the limited economic policy possibilities of the federal government, he served up once again an earlier used maxim that a few billion more schillings of indebtedness were preferable to 100,000 unemployed and once again surprised party colleagues as well as the public with his reconsideration of the project that believes can take up the employment slack.

What the chancellor has in mind is to expand Vienna's International Center (UN-City) with a conference center. This will have a planned capacity of up to 6,000 participants, costing a total of more than 7 billion schillings, 5 billion of which would be for construction. In Kreisky's opinion the project would create, over a 4-year term, some 4,000 jobs in the construction, steel and building supply sectors. The chancellor believes that financing can be assured through loans on good terms from the oil kingdoms of the Gulf region, so that neither the federal government's nor the city's budget will be affected. The program, like the JN-city, stems from plans drawn up in the 1960's. Infrastructure projects totalling more than 600 million schillings have already been completed. The lack of funds and the aversion of Vienna's citizens to the project, which became clear in an opinion poll (with only scant response) undertaken last fall by the OeVP, were among the reasons for both the federal government's and the city's having deferred the project.

With conditions now different, especially the rising rate of unemployment which has put a strain on the budget, the chancellor feels that the project must again be submitted for debate. He has made his party's support for this project a condition for his candidacy for the parliamentary elections in April 1983 and since his running again is urgently sought by his party, he has managed to silence completely opposition to the project within the party. By the same device the chancellor has been able to nail down the SPOe's [Austrian Socialist Party] support for a review of the law prohibiting nuclear energy, passed in 1978, which has blocked the beginning of operations at the Zwentendorf power station. This measure is to be introduced after the parliamentary elections, assuming a favorable election outcome or, if necessary, supported by the SPOe alone. The chancellor is evidently concerned about the tight energy supply situation and the country's dependence upon supply sources within the Soviet bloc.

With all of these proposals Kreisky has set off a storm of indignation within the ranks of the opposition. Their ire is also fed by what they consider to be the doubtful value of the conference center, which they feel to be far out of scale and by the coolness of the electorate toward both of the projects proposed by Kreisky. This discontent has found expression in often very uncertain terms. The consensus which the government and the opposition had reached last year, may not survive this current controversy; it will, as will probably be the case with other matters, disappear in a renewed nuclear energy discussion and the upcoming elections.

9878

CSO: 3103/211

ECONOMICS MINISTER ON PRIORITIES, STEEL INDUSTRY

Brussels LA LIBRE BELGIQUE in French 4 Jan 82 p 3

[Interview with Minister of Economic Affairs Mark Eyakens on 31 December 1981, by P. Lo.: "Belgium Is Very Ill. It Needs Drastic and Lengthy Therapy"; place of interview not given]

[Text] A few hours before the celebration of New Year's Eve, at the height of the committee debate on the special powers bill, Mr Eyakens, minister of economic affairs, agreed to talk to us on the major issues brought to his attention since 17 December.

[Question] Having barely taken office, the government has made progress on important decisions concerning the steel industry. Is it trying, without any further delay, to lance an abscess which is several months if not several years old?

[Answer] Under the previous administration, in spite of all the best intentions, we experienced a series of deadlocks superimposed on one another. The new coalition has the firm determination to make things move in all areas, including the national sectoral policy.

[Question] As the first decisions were made so quickly, should it then be inferred once and for all that it was the socialists who jammed the machinery?

[Answer] After the elections, every politician regains his virginity and receives a general absolution. Hence, I wouldn't want to reopen the controversy, but simply provide an historical -- with a small "h" -- recollection. In the end, the government fell because of Mr Spitaels' ultimatum, which made the situation tense. Today, the curtain has fallen. We have to go on.

[Question] Does that mean that you believe that any clash concerning this issue should be excluded within the current administration?

[Answer] It is an extraordinarily complex issue. It will be on our hands for many years yet. The situation in the enterprises is still extremely difficult. One should argue for viability. Which requires that a certain number of conditions be met: capital injections, modernization, but also the closing down of plants, the effectiveness of management, the control over costs (energy and social), and so forth.

As far as the latter aspect is concerned, I understand why the union organizations are hesitating before getting involved in a negotiation of the social package, as long as they do not have tangible proof that the investments will take place.

[Question] On this point, you agree with President Jacques Vandebosch, who has told the workers that there would be no negotiation as long as the first investments have not taken off ...

[Answer] There has to be simultaneity. I would add that if we don't succeed in controlling certain costs, we will run the danger of a catastrophe. And this in spite of the investments. Hence, new and sizeable efforts are required.

[Question] Has the government already swept away the idea of a "demerging" of the Walloon steel basins?

[Answer] It all depends on what one understands by demerging. A year ago, Mr Claes was in favor of developing subsidiaries. This project was swept off our tables because they came up with a miracle plan, which had sprung up during the celebration of New Year's Eve 1980. The whole plan of 15 May was built on this logic of the merger. To bring everything back into question, is to very seriously endanger Cockerill-Sambre. I am willing to admit that ridicule never killed anyone in this country, but still ...

Of course, there are mergers and there are mergers. Services must be integrated, which does not exclude some responsibility by production unit, by sector or by basin. We have to put an end as soon as possible to this animosity between Charleroi and Liege. I don't believe that the idea of maintaining certain profit centers in order better to motivate the officials within the framework of a certain delegation of power is necessarily incompatible with the notion of merger. One has to think in terms of the greatest effectiveness.

[Question] There is talk today of a new capital conversion ...

[Answer] It involves the implementation of the government agreement. The same amounts were projected in the formula developed by the previous administration. It involves long term indebtedness or, if you prefer, the loans granted by the SNCI [National Company for Credit to Industry], and to a lesser extent by the CGER [General Savings and Pension Bank], which are already guaranteed by the state and which fall under the moratorium.

As the latter will expire in 1985, this was quite a sword of Damocles hanging over all the enterprises (in the North as well as in the South). Therefore, the partners in power have agreed to convert these amounts into capital for all the enterprises (approximately 17 billion francs for Cockerill-Sambre, 11 billion francs for Sldmar, and 1.5 billion francs for ALZ [expansion unknown]). It only involves a mode of implementation which virtually changes nothing in budgetary terms.

[Question] It is said that negotiations with the banks are very active. When do you hope to bring them to a successful conclusion?

[Answer] Very soon, I hope. In June-July, the negotiations faltered because the banks were demanding a state guarantee for the totality of the debts incurred in the past ...

[Question] They are no longer demanding this today ...

[Answer] I don't want to reveal any secrets. What I can tell you is that for us, today, this demand remains totally unacceptable. Too much is too much. Everyone has to carry his share of the risk. We must obviously take into account the report from the banking commission, which shows that the solvency of the sector has been reduced by half, and the fact that Cockerill-Sambre has become the only debtor. We cannot ignore the regulations in this area. A range of mixed formulas has been reviewed. I repeat: everyone has to carry his share of responsibility.

[Question] Cockerill-Sambre is waiting for its managing director. When will you find the right man?

[Answer] I don't know whether such a right man exists. We are going to try hard to find the best, a man who inspires confidence, an excellent manager, negotiator, diplomat, and one who is capable of shaking things up.

Mr Claes has called on an agency of "headhunters." The file includes the name of several personalities with whom I am going to meet soon.

[Question] How many Walloon "bosses" fit the requirements you have formulated?

[Answer] There are several of them in Wallonia and in Belgium ...

[Question] It will not necessarily be a Walloon then?

[Answer] Of course. It will not necessarily be a Belgian either. We have to find a first rate person, who is free and knows how to set himself up as the uncontested arbiter. We have to find someone coming out of the cold, immaculate and incontestable.

[Question] In this beginning of January, you are once again making contact with the EEC. What do you expect from it?

[Answer] We have been waiting for ages for approval from the Community. Up to now, we have only received two letters of warning from Mr Andriessen, without approval. There have been delays on the part of the Belgian government, that is true. But we are hoping that the Community will be willing to conclude quickly, at least with regard to a first section which includes large investments. It is time to restore the people's confidence.

[Question] What do you fear most from the Commission?

[Answer] ... The breaking up of the plan. I am not saying that this is a deliberate tactic on the part of the Commission. But the result could be that the plan would be cut into sections. As the case of the steel industry is at the same time political, psychological and social, the interested parties might not be able to see the light at the end of the tunnel. We have to know exactly what the various parties are committing themselves to. I am willing to accept an implementation in successive stages. But sooner or later, it will be necessary to develop an overall view.

[Question] In the end, what is the future of the Belgian steel industry from a European point of view?

[Answer] The Hanzinelle agreements are not dead, far from it. I persist in believing in the need for transnational synergies. The future of Belgian steel is European. Legal combinations are not indispensable. Cooperation is.

[Question] The textile sector has been waiting for "its" plan for 3 years. Where are the negotiations with the social partners at, based on the requirements formulated by the Commission?

[Answer] Contacts have been resumed. In contrast with the steel industry, the Commission's letter was a decision we only had to take note of. Under the previous administration we accepted this de facto situation, however not without expressing the strongest reservations on various points (reduced budgetary package, preliminary notification, state participation).

Mr Claes had been thinking of defusing the bomb of state participation by developing legal formulas. Others are being considered, which would make state participation inoperable. I want to be clear in my own mind about it. I am going to go see the Commission.

[Question] Do you think that renewed negotiations with the Commission would be possible?

[Answer] I have no idea whether the Commission's position is unchangeable. If any softening is excluded, then we will have to find a solution among Belgians.

[Question] What are your projects in terms of shipbuilding?

[Answer] I am picking up those of my predecessors. It will be possible to propose the now completed restructuring plan to the government during this first half of January. Next, there will be a meeting with representatives from the two large enterprises in the sector. Finally, we will have to release the necessary financial means for the restructuring, with certain conditions severe enough to guarantee a positive outcome. We have to know what we want: to recover or to sink.

[Question] What are your other priorities?

[Answer] I have another very complicated case with the Communities, a case which has been dragging for 10 years: the areas of development. Let us recall that the Community wants to strike out four-fifths of them in Flanders and one-fifth in Wallonia. What is worse is that the Community questions the content of the economic expansion laws in terms of capital subsidies and aid to replacement investments. Consequently, it is the instrument itself which is being questioned. We are preparing a line of arguments, in cooperation with the regional executive bodies, in order to save the maximum.

In addition to this, there is the whole energy sector, the evolution of oil prices. The competitive struggle downwards is to the advantage of the consumer, but it is causing more and more difficulties for certain refineries, which include large enterprises, small ones and independent ones. Similarly, there is also a serious

problem at the level of Distrigaz. All of this will have to be taken in hand again. I can count on my secretary of state, Mr Knoops. It will be necessary to make a series of decisions.

[Question] When do you intend to set up the large energy policy debate in parliament?

[Answer] After the vote on the special powers and on the budget for Ways and Means. I hope that it will be possible to start the debate before Easter.

[Question] What will be the major difference between the Economic Affairs administration of Mr Eyskens and that of his predecessor, Mr Claes? Perhaps a little less opaqueness and more promptness?

[Answer] I have a great deal of personal regard for Mr Claes, who has never stopped being a loyal, steadfast and efficient supporter. Of course, the current coalition is different, with a different program and other emphases. I am here to implement the government declaration and to act quickly. Opaqueness? I prefer clarity. There are no state secrets. The public has a right to all the necessary information -- parliament first, of course. I think that I should put all my cards on the table, provided that this clarity is tactically justified. When I arrived at the Ministry of Economic Affairs, I found my staff in perfect order ...

[Question] And also a few "skeletons" in the closets?

[Answer] There were "skeletons," that is true. But Mr Claes had discovered them before me! They are "skeletons" which we are passing along from administration to administration. From time to time, one of them springs to life again ...

[Question] When will Mr Martens get his special powers?

[Answer] There is a short delay due to the numerous amendments. The date of 15 January is a little too optimistic. If we can get the Senate Committee to meet before the end of the debate in the Chamber concerning the discussion of the general report (not the articles of course), it may be possible to finish in both Chambers by 20 or 25 January.

[Question] Some people are already saying not before the end of the month ...

[Answer] I am afraid that there are going to be some obstructive tactics on the part of the opposition and an avalanche of interventions. In committee, at least 200 amendments have been raised by the opposition.

[Question] You are not afraid of any bad surprises?

[Answer] No. At the most, we may have to organize night sessions. For a week. This way, in the end, they will vote anyway!

[Question] How many months do you give Martens?

[Answer] I hope that we will have a number of years at our disposal. Because we should not have any illusions. If we get the special powers instrument, which is

absolutely necessary, then everything will still have to be done: to complete the implementation decrees and to implement them for a long time. Belgium is very ill. It needs a drastic and lengthy therapy. There will be no miracles after 6 months or after 1 year. The effort will have to go on for years. The important thing is to capture the people's potential for faith in the future.

The opposition, of course, is the opposition. The government must be in a position to respond to it.

[Question] There are also the trade unions. And the index ...

[Answer] We are going to implement the government declaration and propose a range of possible formulas to the social partners.

[Question] And the budget? Is the reality of the figures finally going to be accepted?

[Answer] Yes, even though there are successive realities. This year's budget was drawn up under ... the Martens III administration. It goes fast! Filled with a 90 billion franc deficit, by the end of December the budget showed a current operations deficit of 280 billion francs, plus investment expenditures. Thus, we will have a net deficit which by far exceeds 400 billion francs. I am not talking about the gross deficit (appeal to the foreign capital market). This collapse is disastrous. The prospects for 1982 remain extremely disquieting. The savings effort will have to be all the more significant as the government is opposed to any new expenditures and as the situation has deteriorated since last June. Messrs De Clercq and Maystadt are faced with a Herculean task.

[Question] Are more than 100 billion francs in savings possible?

[Answer] There is a political commitment to this effect. Everything depends on the cohesion of the majority ...

[Question] Is this cohesion as strong as we would like to believe?

[Answer] I feel that it is very strong. The more virulent the opposition becomes, the more united the coalition becomes. The majority acted like a monolithic bloc within the committee. It must stay that way, or else ...

8463

CSO: 3100/256

PRESIDENT SEES NO ECONOMIC 'CRISIS,' ONLY 'PROBLEMS'

Nicosia O AGON in Greek 29 Dec 81 p 1

[Excerpt] Addressing a meeting of the Advisory Economic Committee [SOE] yesterday, President of the Republic Kyprianou pointed out that the impression that Cyprus is undergoing a great economic crisis is incorrect. He added that Cyprus simply faces problems which must be solved in order to avert a worsening of the situation.

"One could say," the president said, "that compared to other countries Cyprus is, despite adverse conditions, in a relatively better economic situation and can be favorably compared with them."

Kyprianou also said that what is necessary is to exert systematic efforts to achieve, within the framework of the Advisory Economic Committee, an agreement on a trilateral basis [government, employers, unions]—something which is not new for Cyprus. "My appeal," he added, "is to make every effort in the context of a dialogue to find the best way to overcome the economic difficulties Cyprus is facing today."

Kyprianou added that any serious differences between the government, the employers and the syndicalist organisations could not serve any class of the people and pointed out the government's interest in solving the problems as soon as possible and the importance the government attributes to their early solution.

Finance Minister Avxendiou chaired the SOE meeting. The committee will resume its work on 8 January. In the meantime, its members will have received a relevant memorandum prepared by the syndicalist organisations.

7520

CSO: 4621/149

BRIEFS

INCREASE IN TOURISM ACTIVITY--The income from tourism in Cyprus in 1981 reached 102 million pounds compared to 70.5 million pounds in 1980 or an increase of about 46 percent. The total number of tourists who stayed many days in Cyprus until and including 26 December 1981 was 425,000 compared to 353,000 in 1980, or an increase of more than 20 percent. Until the end of 1981 the total arrivals in Cyprus were about 430,000. During the January-November 1981 period, 64,690 persons visited Cyprus for 1-day stays. [Excerpt] [Nicosia TA NEA in Greek 3 Jan 82 p 1] 7520

CSO: 4621/149

PAPER COMMENTS ON 'SHARP CRITICISM' FROM OECD ON ECONOMY

Copenhagen BERLINGSKE TIDENDE in Danish 28 Jan 82 p 8

[Editorial: "OECD's Warning"]

[Text] The OECD report on the Danish economy criticizes sharply the developments so far and makes some unusually unambiguous recommendations, especially in respect of the public finances.

Seeing that the OECD now points out that Denmark is one of the member countries which has managed most poorly, as far as unemployment and balance of payments problems are concerned, one would at least be inclined to believe that also the prime minister will give up his constant attempts to present the economic conditions as if Denmark has got better through the general economic difficulties than most other countries in the West.

The OECD evaluations of the public finances deserve special attention. Also in this area, developments in Denmark since the mid-seventies have been extremely unfavorable, and the present situation must be regarded as entirely untenable. While Social Democratic politicians and, for example, also, to a certain extent, the independent Economic Council have endeavored to play down the effects of the explosive increase in the deficit of the state, the OECD now points out how this in itself via the massive issue of government bonds has an interest-raising effect which will not least hit the long-term investments, including the housing construction sector.

To those who still recall the elements of the recent election campaign in November-December of last year, the fact that the OECD economists show that the situation within the public finance sector is not only due to adverse market trends but is also due to the steady growth in the consumption within the public sector and the ample amounts of Danish social benefits, should give food for thought.

It probably was one of the more constructive aspects of the condemned plan of the Liberals and the Conservatives that the plan might be viewed as an attempt at checking the growth within the public sector and increasing the incitement to productive employment. But, as is well-known, there was an outcry against the proposals to cut the top off a number of social benefits and tighten the rules for their disbursement--among other things, in the case of unemployment benefits and welfare payments. The Organization for European Economic Co-operation now points out that these very income transfers should be cut, and that the very costs of maintaining the Danish social security system should be reevaluated. In addition,

the OECD points to another sacred cow in the Danish economy, viz. the automatic cost-of-living adjustments which, this very year, are expected to cause considerable wage increases, which may jeopardize our improved competitiveness.

At any rate, the government cannot now say that it lacks warnings and relevant economic policy advice. The decisive thing will now be whether the government and the majority of the Folketing have got the political will to take steps which will benefit the Danish economy.

7262

CSO: 3106/57

INSTITUTE ASSESSES 1982 OUTLOOK FOR DEVELOPMENT OF ECONOMY

West Berlin DIW WOCHENBERICHT in German No 1, 1982 pp 8-25

[Unattributed article: "FRG Economic Forecast for 1982: Unsatisfactory"]

[Text] FRG economic policy and economic development were both determined by external factors during the past year. Some developments were positive; but most were negative. The major factors were weakness of the economies of the Western industrial countries, high interest rates abroad and the DM exchange rate.

In the face of a high deficit in the balance of goods and services, which improved during the course of the year, high interest rates—above all in the United States—had an impact on the institutions responsible for economic policy: The Bundesbank was forced to continue and intensify its tight money policies. As a result, pressure on the domestic money market increased, preventing the recovery forecast for 1981 in this space a year ago.

Despite the Bundesbank interest policies, it did not succeed in stopping the steady devaluation of the DM against the dollar until late summer. From the beginning of the year until August, the dollar exchange rate rose by more than one-quarter to about DM 2.55. This led to an additional rise in the cost of imports and a renewed deterioration of the Terms of Trade because export prices could not be raised in a like manner.

A rise in consumer prices brought on by the exchange rate ensued—but was less marked than had been feared by many. In the fall, the CPI was almost 7 percent higher than a year earlier; it did not improve until the end of the year. The increased rate of inflation provided still another argument against the money policies which have long hampered the economy.

As exchange rates declined, domestic suppliers engaged in greater price competition. Those branches of industry which traditionally have a large share of the export market profited most. In real terms, overall export of goods increased sharply after the turn of the year 1980/81. At the end of the year, it was about one-fifth higher than at the beginning and as against 1980, it grew by some 7 percent. Development of exports thus was in marked contrast to development of world trade. In addition to the low valuation of the DM worldwide, another important factor was the sharp increase in imports on the part of the OPEC countries.

Due to their improved competitive position, the producers were able to regain a share of the domestic market or at least to counter further advances by foreign industry. The slight average decline of imports in real terms during 1981 was due to economic factors and above all to cuts in the consumption of petroleum products.

The negative development in real terms both in imports and exports had a strong impact on the entire economic picture. In all, it amounted to about 2 percent of GNP. The share of exports in real terms increased correspondingly; but because of the deterioration of the Terms of Trade, this improvement in real terms was halved as it impacted on the nominal surplus. The annual average deficit in the balance of goods and services declined by some DM 7 billion to about DM 23 billion; but in the last quarter of 1981 it was almost balanced.

Export trade impact on overall production levels was offset by contrary developments on the domestic demand side.

As a result of higher import prices due to the DM devaluation, overall costs of goods increased by about one percent in 1981. Assuming that consumer prices rose by more than would otherwise have been the case, one would arrive at a loss of real consumer purchasing power amounting to about DM 5 billion (in 1970 prices). The decline in private consumption by about 1.5 percent is largely due to this pricing factor. Another element in the loss of purchasing power is unemployment. If real demand had been higher, it would no doubt have been smaller. These negative factors were offset to some extent by the tax relief measures which took effect in 1981.

For the government, the higher interest rates meant higher payments to its creditors and increased pressure to cut expenditures in other areas. Investments for public construction were hit particularly hard, being cut by more than 7 percent in real terms. The government thus further curtailed domestic demand which had already been hit hard by restrictive monetary policies. This development, combined with declining demand by investors in home building and small business caused by high interest rates, led to a drop in production by about 4 percent as against 1980 in the building industry.

Despite the cuts in public investment, regional expenditures rose by 6 percent, which was a good deal more than had been planned. The major factors were the sharp rise in interest rates, the high government subsidies for unemployment insurance and the rise in the military budget. The goal not to increase deficit spending over the 1980 level could not be met. New indebtedness increased by DM 16 billion to DM 68 billion.

During the year just past, overall domestic demand declined in real terms—except for government spending which rose by about 2 percent. Half of the overall 2.5 percent decline was due to the cut in stockpiling investments which in turn were due to lessened sales prospects and high interest rates.

The decline in domestic consumption of goods was approximately equal to the rise in the export surplus: the domestic gross product in real terms in 1981 was slightly lower than a year earlier. But in 1981—in contrast to the previous year—more primary income, particularly in the form of interest, was paid out to foreign sources than was earned by domestic business in foreign countries. This was responsible for the fact that the decline of the GNP was greater by one-half percent than that of the domestic gross product.

The lack of improvement in the economy following the sharp decline during the second half of 1980 had a very serious impact on the labor market. Business, losing hope in the economy, no longer tried to hold on to members of the labor force for whom there were not enough jobs. During the course of the year, the number of those gainfully employed declined rapidly; but the number of unemployed increased even more sharply under the influence of demographic shifts. Seasonally adjusted, it rose from the beginning to the end of the year by 500,000 to almost 1.6 million. Unemployment has not been this high in the FRG since the early fifties.

1982 Parameters

Although the seasonally adjusted GNP did not decline further during the course of 1981, the overall economic situation at the turn of the year 1981/82 is even more unfavorable than it was a year ago.

The number of unemployed has increased by one-half and is still climbing. As compared to last year, the inflation rate is distinctly above 6 percent—which is still high by FRG standards. Domestic orders have been down of late; any hopes for a rise in production soon are therefore unfounded. Only the prospects for goods and services appear to be better.

Basic economic goals, with the exception of exports, are even more off than they were a year ago. The question is which parameters will have a bearing on economic development this year and which factors—positive or negative—will be dominant.

Foreign trade should improve. Although there is little hope of improvement of the world economic situation, the favorable competitive position of German exporters should lead to a greater expansion of FRG exports in real terms. In addition, there is likely to be an increase in imports on the part of the OPEC countries—even if not quite at the 1981 rate. The improvement in the balance of goods and services is likely to continue; but unlike in 1981, the Terms of Trade will play a major role. They are likely to improve markedly in the event of a DM revaluation against the dollar and at the same time put a brake on the importation of price increases. The forecast is for an average exchange rate of DM 2.10 to the dollar for 1982. Changes in the European currency system are to be decided so late this year—if at all—so that they are unlikely to have a bearing on 1982 economic development.

At long last—even if somewhat hesitantly—the trend toward lower interest rates has begun. The Bundesbank has set its sights on a 4 percent to 7 percent rise in the money supply as it did last year and thereby has not excluded a monetary po-

licy just as restrictive as last year's. But it has said it is prepared to loosen controls in principle. The assumption is that this will happen relatively soon.

In contrast to this possible development in monetary policy, prospective fiscal policy is likely to influence economic development adversely. In saying this, we are attaching far more importance to the restrictive influences of fiscal policy than to the psychological impact of economy measures which are, to be sure, vastly overestimated in many quarters, including the Bundesbank.

In an unfavorable economic climate, questions of income distribution are much harder to work out than in times of rapid rises in production. In wage negotiations, the cost factor assumes greater importance which in turn raises the chances of conflict. The fact that the rate of increase in the consumer price index will still be close to 6 percent during the first quarter of 1982 when most wage negotiations are due to take place is not going to make matters any easier. On the other hand, the wage component did rise distinctly in 1981 because business and capital income declined, with real profits even declining very sharply. Under the circumstances, the unions which have called their bargaining goal for 1982 the maintenance of real wages will probably have to scale down their demands. The contract terms are likely not to keep step with the estimated rise in consumer prices for this year. From the point of view of the economy as a whole, it is to be hoped that the resultant loss of real purchasing power will be offset at least in part by a reduction in savings. But one must take into account that rising unemployment may bring the caution factor into play. Nonetheless, the assumption is that lower interest rates and the desire to maintain the existing standard of living will compensate for this.

There are unlikely to be any problems this year in connection with energy supply, in particular with oil. Both because of the economic situation and the high prices, consumption is likely to decline further. This will be the case even if the DM exchange rate against the dollar should rise and thus lead to a moderate drop in domestic prices.

Interest Rates Continuing to Drop

Until the fall, the money and credit markets were affected by the very tight money policy instituted at the beginning of the year. In February, political events in particular (the Reagan bonus, the Polish crisis) caused the dollar to rise rapidly. In order to restrain the higher cost of imports due to the exchange rate and a resultant increase in domestic costs and prices, the Bundesbank tightened the money supply and made credits more expensive, replacing the normal 9 percent Lombard rate by a 12 percent special Lombard rate. Domestic interest rates, already affected by rising interest rates abroad, increased sharply as a result. The trend was not reversed until late summer when interest rates in the United States came down and the DM exchange rate began to rise. With some hesitation, the Bundesbank then finally loosened up on monetary policy again. In early October, the special Lombard rate was lowered from 12 to 11 percent and in early December to 10½ percent. This step was accompanied by moves to ease up on liquidity.

At the outset, the rise in domestic interest rates in the spring of 1981 caused the M 1 (cash and sight deposits) to drop sharply after having expanded somewhat during the second half of 1980 following a long period of virtual stagnation. The rise in interest rates also affected central bank money supply which consists of cash in circulation as well as minimum reserves on domestic deposits. Starting in May, it gravitated toward the lower end of 4 percent to 7 percent spread limited by current expansion levels.

Investments, production and employment tend to react to higher interest rates after an interval of several quarters. The economy is therefore likely to suffer from the consequences of the high interest rates well into 1982. The hopes that the economy will be revitalized by the monetary sector by the second half of 1982 at least are based on the expectation that interest rates will continue to fall. The capital market rate (average floating yield) rose from 9 percent in December 1980 to 11½ percent in August 1981 and then declined to just under 10 percent again by December. During the course of 1982, it is likely to go below 8 percent. The "real interest rate" would thus decline from 5-5½ percent in the summer of 1981 to 3-4 percent by the second half of 1982.

Interest rates will drop further, if the same factors come into play that provided the impetus in the fall of 1981: interest rates abroad go down; DM revaluation continues as exchange markets continue to react to the fact that the German balance of goods and services is improving and the German economy manages to hold on to its advantage in stability vis-a-vis foreign countries. Foreign interest rates that tend to drop and the expectation of revaluation gains induce the liquidity influx from abroad and in turn press down on domestic interest rates. For another thing, lower price increases will encourage depositors to commit their funds for longer terms. Still another factor working for lower interest rates is the fact that less investment in housing and small business reduces readiness to assume high-cost credits.

In 1982, the economy will be marked most of all by financial consolidation. Private savings will not be higher than in 1981 but ought also not to be affected as much by domestic sectors. Government and business will reduce their funding deficits and take advantage of the improved capital market climate to secure longer-term funds. New debts abroad, that is to say the deficit in the balance of goods and services, will be appreciably lower than in 1981. Lower interest rates abroad and the trend toward DM revaluation will lead to more importation of foreign capital than is needed to finance the deficit in the balance of goods and services which in turn will permit the Bundesbank's foreign exchange reserves to rise once again. In the financing account, this is reflected in a decline of the financing surplus of the rest of the world.

Slower Rise of Exports

Development of real exports in 1982 will be affected in two ways. There are certain to be positive impulses coming from the gradual improvement of the economic situation in the industrial countries and a revitalization of world trade. But this will be offset somewhat by a loss of competitiveness due to a rise in the exchange rate. For another thing, smaller surpluses by the OPEC countries will lower their willingness to import goods.

Overall, real exports should increase by about 4 percent as compared to 7 percent in 1981. But even then FRG exports would increase at a better-than-average rate once again—as compared to world trade figures generally.

Further Improvement of Balance of Goods and Services

Real imports in 1982 will continue to be moderate—rising slightly instead of declining as they did earlier. This would seem to be indicated by the onset of increased building up of stockpiles in times of lower interest rates. Industry demand for raw materials and semi-finished goods for current production is likely to increase somewhat once again. The decline in imports of oil and petroleum products will continue, though not at the 1981 rate. Overall, imports are likely to rise by 2 percent in real terms in 1982—a smaller rise than in exports. The export surplus in real terms will continue to rise.

As the Terms of Trade improve, the nominal surplus in goods traffic will rise even more than in 1981 when it increased by DM 15 billion. The deficit in goods and services and transfers will rise by a lesser amount than the surplus in goods traffic which will lead to an appreciable decline in the goods and services deficit from about DM 23 billion to approximately DM 9 billion. Expectations are that expenditures for travel to foreign countries will end their climb of several years and that net transfer payments to the EEC budget will also decline.

Increased Efforts to Consolidate Fiscal Policy

In 1982, the government will try to incur fewer new debts in spite of continuing poor economic conditions. The needed limits on budget increases are being scaled down more and more. By now, talk is of a nominal 3 percent target.

These efforts are highlighted by the compromise on economy measures achieved by the government in conference committee which calls both for increased revenues and cuts in services prescribed by law.

Since there are limits on the economies to be effected on current expenditures, the drastic cuts will be made—as before—in the area of government investments primarily. As the primary investors, the communities themselves will be cutting down on more and more investment projects under the impact of rather low revenues and increasing costs of current expenditures, including interest. Their investment possibilities are also likely to be hampered by the planned cuts in investment subsidies by the federal government and the Laender. Overall, it is to be feared that government investments will be 7 percent lower than last year; in real terms, this represents a decline of 9 percent. The dampening effect this will have on the economy will scarcely be offset by the fact that the steel industry is to be the recipient of special investment subsidies.

Due to the economy measures, there will be a marked drop in the increase of government expenditures. A contributing factor will be the projected cuts in public service (salary cuts by one percent of the starting salary and the step one post allowance; a delay in salary adjustments and a marked decline in the creation of new positions). The federal government alone is planning to cut jobs by one percent. But even if one assumes that wage hikes will be moderate,

it is hard to believe that personnel costs will rise by less than 4 percent. There will be a higher-than-average 5.5 percent rise in material expenditures, particularly for military purposes. On the civilian side, on the other hand, there will only be small increases. All in all, the budget will be just under 5 percent higher nominally, as compared to 7 percent in 1981.

This year's 6 percent rise in transfer payments to individual households will be smaller than last year's 7.5 percent figure. In contrast to years past, transfer payments to social insurance and regional institutions tend to diverge. Social insurance outlays will rise by more than 8 percent—including the continually rising expenditures of the federal labor office (on behalf of 1.75 million unemployed and 450,000 part-time workers) and the first increase in retirement benefits since 1978, by 5.76 percent as against 4 percent at that time. The 0.6 percent rise in transfer payments to regional institutions is due to decisions to consolidate the 1982 budget and, in particular, to cut child welfare subsidies.

The outlook for revenues this year also tend to limit the budget deficit. Tax revenue will rise a good deal more than last year. Increases are based on the compromise on government economy measures achieved by the conference committee. Tax increases on tobacco, spirits and champagne as well as the discontinuation of a number of tax allowances should net the government an additional DM 4 billion.

Last year's decline in personal income and corporate taxes due to the recession is likely to be followed this year by a slight rise due to the improvement of the profit picture. Another reason pointing to the increase is that changes in tax legislation which had a dampening effect on revenues over the past few years peaked in 1981 and will not be of as much consequence in 1982.

Although gross wages and salaries will rise but slightly, revenues from wage and salary taxes are likely to rise more rapidly in 1982. Bracket creep will be one major factor in this as will be the expected DM 1 billion increase in revenues—as projected in the economy package—reflecting a cut in subsidies for employee savings and the discontinuation of the household deduction for single persons over the age of 49. Altogether, government income will increase by 6.5 percent in 1982 as against 4 percent in 1981. The "job security" measures designed to help revitalize the economy as well as tax breaks for industry and housing will have only a slight impact on tax revenues this year. Tangible relief for the budget is to be provided by an increase in the transfer of Bundesbank profits which the government expects will amount to DM 10 billion.

As regards social insurance, the increase of the contribution to the federal labor office is a factor. Nonetheless, the projected government subsidy amounting to DM 3.3 billion will not suffice to cover the deficit. That would take just about DM 6 billion because the annualized number of unemployed and part-time workers will be higher than expected.

While the contribution to the unemployment insurance fund is being raised, the increase in contributions to the retirement fund, which took effect in 1981, is being deferred. This deferment along with the expected slight wage increases and the low level of employment make it necessary to cut the retirement fund reserves by just under DM 3 billion.

The forecast of government expenditures and revenues would seem to indicate that it will not be possible to bring the deficit down to the 1980 level. It will reach DM 60 billion, which is almost DM 9 billion higher than it was then. The reduction of the deficit by some DM 7 billion as against 1981 is primarily due to the increase in the transfer of Bundesbank profits.

Continuing Decline in Building Investments

There is no unanimity in the forecast for building investments in 1982. For some time, all the indicators have been down: construction demand; the official production index of the building industry; the number of employees, even the utilization of equipment. But at the same time, the quarterly official statistics on real building investments have indicated only a slight dip thus far—except for higher-than-average production shortfalls during the six winter months of 1980/81 when the weather was particularly bad. Under these circumstances, it is difficult enough to quantify the results for 1981 and even more so to predict the future. One may assume that building investments in real terms were distinctly lower during the second half of 1981 than in the comparable period a year earlier. The drop for the entire year probably was 4 percent.

This year, the downward trend will intensify initially because the decline in real construction demand which set in 2 years ago has not yet bottomed out. Most recently, the index of real orders on hand by the building industry was lower than during the 1974/75 recession. The decline in production was somewhat less pronounced, since there were large numbers of back orders to be filled first. But these have now dwindled to practically nothing. Even if demand picked up during the course of the year due to lower interest rates, this would not alter the recessive trend in real building investments, since the time lag between increased demand and actual production is particularly lengthy in the construction industry.

There are signs pointing to a stabilization of demand for private housing during the course of this year. This is likely to happen because of improved financing conditions, relatively slight price increases as well as higher depreciation allowances, degressive tax write-offs, the possibility of using building and loan savings funds without detriment to premiums and certain advance options on the projected 1984 cutoff date for value-added tax payments on owner-financed construction. On the average, however, real private housing investments are likely to decline by more than 6 percent as compared to over 4 percent in 1981.

Due to the relatively favorable orders situation, industrial construction hardly declined at all. This year, however, a decline of 3-4 percent is expected, even though some major investors like the postal service will continue to invest; write-off possibilities have improved and the construction program for remote heating plants will be active.

In view of the government economy measures, investments in public building will also decline at a higher-than-average rate. The budget calls for a 9 percent cut in real terms, a 15 percent reduction over 1980 levels. Road construction will be particularly hard hit.

Overall investments for construction purposes will drop by about 6 percent in real terms in 1982—a marked acceleration of the reductions last year. Unemployment in the building industry will thus be even more of a cause for alarm. Even now it is clear that it will be extremely difficult to rebuild this work force at some later date.

Equipment Investments Show Further Decline

Declining domestic orders—particularly in the machine building industry—were a signal during the course of 1980 for a decline in investments for equipment in real terms. In a real sense, this decline did not make itself felt until the middle of 1981. Declining sales—except those to foreign countries—, the drop in profits as well as a downward trend in foreign investment all combined to produce a further disinclination on the part of private investors. Investment plans for this year indicate that the decline will be even sharper than in 1981. Industry will reduce its plant investments by 3-4 percent according to plans made public in the fall. It may be assumed, however, that these plans have since been revised downward. Industry investments in equipment are likely to be reduced appreciably. Rising investments by the postal service among others will have a stabilizing impact; but these will be offset by negative investment trends in the construction industry and in agriculture.

On the average, investments in equipment are likely to decline by about 3 percent in 1982. There will be a sharp drop initially which will level off during the second half of the year. Hopes for stabilization are based primarily on better financing conditions which would indicate that projects will be tackled that had been deferred until now for lack of funds. Lower profit margins this year will have an adverse effect on investment activity, however.

Decline in Real Income and, Once Again, in Private Consumption

Rising unemployment, the high rate of inflation and appreciably lower profit margins by business will be the centerpiece of the 1982 bargaining sessions. It is open to doubt whether the union goal of guaranteed real wages can be attained in the face of almost non-existent prospects for growth. Wage increases between 4 and 4½ percent are likely this year in the sense of "perpetuating" income development.

In view of the declining volume of work, gross wages and salaries will rise only by about 3½ percent; net income, however, will only rise by little more than 2 percent because of increased deductions for social insurance and bracket creep.

In line with the consolidation decisions, government transfer payments to private households will rise by only 6 percent in 1982, which is less than last year, even though annuity payments have been advanced and social insurance payments will again rise sharply.

In all, available private income will exceed the 1981 level by 4 percent. The increase is expected to accelerate somewhat during the second half of the year in tune with a slight improvement in the economy in terms of work volume and profits. With savings likely to decline, the nominal rise in private consumption will amount to $4\frac{1}{2}$ percent—in other words somewhat higher than the rise in income. But the simultaneous annualized rise in the cost of living by 5 percent will once again bring about a decline in private consumption in real terms by 0.5 percent (as compared to $1\frac{1}{2}$ percent drop in 1981).

Production to Rise Only Slightly

Overall demand is not likely to have any appreciable impact on production this year, either. Improvement during the course of the year will be very modest. The expected rise in exports will largely be offset by the continuing weakness of domestic demand. A turnaround in stockpiling due to a relaxation of monetary restraints will be responsible for the fact that real utilization of the gross domestic product will not be on the downgrade throughout the year.

Real GNP will increase at an annualized rate of only 0.5 percent—in other words, it will recoup the losses suffered last year. The rate of increase on an annualized basis is likely to be only a modest one percent. Thus, the economy will hardly be booming in 1982.

Utilization of business production potential will decline further. Until 1980, gross capital investments by business (exclusive of housing rentals) had been vigorously increasing for 5 years. This brought about an annual rise of gross invested capital of about 4 percent. In 1979, production potential went up by 3 percent—for the first time since 1973. During the same year, the increase in production was even higher which made utilization rise once more as compared to the year before, reaching 91.4 percent which was equal to the record level of 1970.

Utilization figures have been going down since 1980 while the increase in production potential has also slowed down. In view of production forecasts for 1982, utilization will decline by 2 percent. This will take it down to below 85 percent—a lower level than the recession year of 1975. This is also the lowest coefficient registered in the FRG since 1950.

The processing sector will hardly do any better than industry overall. The decline in that area last year was 2 percent; this year, there is likely to be a rise of only 0.5 percent.

The weakness of the domestic market affected the consumer goods industry in a particularly adverse manner. These branches of industry had to cut production because the export business is of little consequence to them. Demand for consumer goods is not expected to rise this year, either. By comparison, the investment goods industry, including such major export items as automobiles, electric appliances and machines will do well. The basic materials and production goods industries stand to gain both from exports and warehousing.

Producers of "genuine" investment goods will have a difficult time of it next year as far as the domestic market is concerned. Things are not likely to improve until distinctly lower interest rates create a more favorable climate for investment. But even in that case, no real improvement is expected before the latter part of the year.

Unemployment Continuing to Rise

The situation on the labor market will continue to worsen—even during the second half of the year when overall production is expected to improve slightly. When that happens, productivity reserves will first be tapped and the part-time labor force will be absorbed. In other words, the rate of increase in unemployment will only be slowing down gradually. At an annualized rate, the number of those gainfully employed will be 300,000 or $1\frac{1}{2}$ percent less than that in 1981. The largest drop will be in industry (135,000) while the construction industry will be most hard hit (with a loss of 100,000) in relative terms. But even in the tertiary sector, the number of those employed will decline due to a public sector hiring freeze and to personnel cuts in commerce.

The number of unemployed will rise once again (by 460,000) at a faster rate than the number of those gainfully employed declines. On an annualized basis, it will climb to 1.75 million (or 7.4 percent) in 1982 as the labor force continues to increase as a result of demographic shifts. In January and February of this year, unemployment will hit a—not seasonally adjusted—mark of 2 million.

Price Increases Slowing Down

Price increases generally will slow down during the course of the year due to a decline in overall demand; a lesser rise in wage costs per unit and a drop in price rises for imported goods. Investments in equipment will constitute an exception because government-instituted steel price increases will make lower prices impossible. There will be a pronounced relaxation of prices in construction, particularly in the civil engineering sector.

Consumer price increases will only slow down at a gradual pace. Since consumer durables and consumer goods are particularly dependent on imports, lower prices conditioned by more favorable exchange rates are to be expected. But this development will be offset for some time as deferred rollovers from the initial stages of production are passed along to the consumer.

There will be price increases in 1982 above all for electricity, gas, remote heating and for transportation. After the middle of the year, postal rates will be increased. At that time, the higher taxes on tobacco, champagne and spirits will also take effect. These measures alone will cause the overall index to rise by 0.6 percent—the annualized rate being 0.3 percent. The rise in the cost of living on an annualized basis will also be affected by the high rate of almost 3 percent last year. Despite a marked slowdown during the course of the year, consumer prices should still rise at an annualized rate of just under 5 percent in 1982. But the rate of increase will be distinctly lower than 4 percent by year's end.

Economic Policy in Bad Need of Fine-Tuning

The forecast for 1982 submitted here is less favorable than the joint forecast of the economic research institutes published 3 months ago.¹ The main reasons for this are that the economies of the Western industrial nations did not improve as expected and that the United States in particular has gone through still another recession. Given the importance of the United States internationally, this development caused strains and obstacles in all other countries. This will not only affect export chances but domestic demand as well. It is particularly likely that private investment will be adversely affected.

In the realm of economic policy, the problems to be solved have increased as compared to a year ago. In fact, a year has been lost in which a turn for the better might have and should have taken place. The danger now is that stagnation will continue at low levels; that utilization of production and labor force capacity will decline still further and above all that unemployment will hit new highs. It is the task of economic policy to employ every available means to prevent this. Even if there is doubt whether the tools provided for mastering the task in stability and growth legislation are sufficient, it must be pointed out that this particular piece of legislation is as binding as it ever was.

Fiscal policy in 1981 was oriented toward supply-side economics in even greater measure than in previous years. Tight money policies combined with tax relief and cuts in government spending were meant to make a larger share of productive capacity available to the private sector. This was seen as the right way to solve the ever more pressing problems of deficit spending. Cuts in spending would lead to a permanent decline in government spending levels; incentives provided by tax cuts would stimulate private investment and thereby increase revenues which, it was thought, would more than outweigh original tax remissions. This model is predicated on the need—not disputed by anyone—to create jobs by way of strengthening private investment.

Actual developments, however, raise ever growing doubts in this economic policy. As time goes by, one is reminded more and more of the race between the hare and the tortoise. Despite all the supply-side incentives, deficits crop up again and again, even showing an increase as the absence of government demand brings about ever new lows in revenue combined with higher expenditures conditioned by the economic situation.

This program is based on the false assumption that even in an economy whose productive capacity is not fully utilized one merely needs to reduce government claims on resources further in order to provide free play for private enterprise. What one forgets is that this initially leads to a further drop in demand and to declining income for business. Subsequently, this also affects profits. And, even lower tax rates do not help businesses get back on their feet again financially; in fact, their financial position tends to deteriorate further. Thus, the very opposite of what was hoped for happens—stimulation of private investment does not take place.

1. Cf "The State of the World Economy and the West German Economy in the Fall of 1981" DIW WOCHENBERICHT No 43/44, 1981.

Neglecting the effect of government spending on demand thus bears bitter fruit. In the present forecast, too, government spending cuts have an adverse effect on economic development. Even if one merely succeeded in avoiding the cuts in government investments, the economy might be expected to improve. It would improve even more, if real government investments were increased.

Quasi arguments are offered in support of rejecting such a fiscal policy. Demand-side fiscal policies, it is said, would hinder rather than help the employment situation under the present circumstances because there would only be some short-term positive effects while higher government deficits would affect private sector activities all the more adversely in the medium term. This argument lends more weight to the crowding-out effect than to the demand effect—and in an era of underemployment at that.

To be sure, added demand induced by government—in an economy that has complex ties to other countries—will flow out of the country in relatively large part and this in turn will reduce the multiplier effect on domestic demand. Furthermore, added government spending in an inflationary economy tends to drive prices up rather than stimulate real production. But, in contrast to most other Western industrial nations, the FRG's economy does not suffer from chronic inflation. As before or perhaps once again, the chances for success of a demand-side policy are quite real. Besides, the crowding-out effect is of minimal significance, given the disinclination of the private sector to assume debts.²

For years, the DIW has spoken out against short-term economic measures designed to counter malfunctions. Instead, the institute has come out in favor of holding fast to a stabilization policy, even if such problems do arise. Both monetary policy and then—in the course of 1980—fiscal policy went off this stabilization route. As a consequence, the present economic situation can no longer be called a short-term malfunction; the continuing stagnation gives every indication of posing a threat to medium-term growth as well.

To prevent this, fiscal policy must quickly adopt a balanced program of both increasing government utilization of the GNP and stimulating private demand. This would include an increase in government investments and a restructuring of subsidies to provide greater stimulation for private investment. But given the present situation, the return to a medium-term stabilization policy can only be effected, if growth-oriented, real expenditures are initially raised to a greater extent than is needed for the medium term. In other words, there is no need for a job program such as is being discussed and constantly rejected in public but a program which lays the basis for a responsible medium-term economic policy. Such a medium-term program could of course include provisions to improve supply conditions for business and to reduce government deficits. But this in turn would call for tax increases—particularly of those indirect taxes the revenues from which are independent of valuation. In the short term, higher government deficits would simply have to be accepted. Given the economic outlook for the future, it will be no great problem to finance them.

2. Cf "Government Debt, Inflation and Problems of Growth," DIW Wochenbericht No 27, 1981

As in 1981, the projected money supply goal for 1982 is restricted to a corridor of from 4 to 7 percent of the expansion rate of the central bank money supply. The midpoint of the corridor roughly corresponds to the monetary growth rate of 5.5-6 percent designated by the research institutes as conforming to the requirements of stabilization and capacity. In the aftermath of the overlong restrictive phase, the Bundesbank ought initially to hold money supply to the upper level of the corridor: DM revaluation will help slow down inflation which should make it easier for the Bundesbank to loosen the monetary reins soon. Such a relaxation is needed because the economy has to have a stimulant in the form of tangibly lower interest rates. A substantial drop in the interest rate would also help offset the threat—not to be discounted—of the DM exchange rate "overshooting the mark" and so contribute to maintaining the competitive position of the German economy.

As for wages, most people are asking for moderation, saying: the smaller the raises, the better the chances of the economy improving. But this particular therapy only looks at the cost factor as it applies to wages—which is to say as a micro-economic function. But this simplistic assumption that small wage raises automatically lead to higher profits is just as false as its opposite—because higher profits not only depend on costs but also on business income and this latter will surely decline, if private purchasing power rises by little or not at all.

There are no simple ways of quantifying the "right" course in wage policy, nor is there an optimal rate of increase. Generally speaking, the upcoming bargaining sessions should try to steer clear of shock. They should, in other words, not lead to a cost shock for business or an income shock for wage earners. If there were a nominal real wage freeze, real employee take-home pay would drop appreciably, since robust price rises will continue for the time being. If shocks are to be avoided, it will be best to adhere to the stabilization principle by agreeing to terms analogous to the moderate wage increases of last year. Contracts calling for a 4-5 percent rise in wages would be acceptable in terms of the monetary goals projected for 1982.

Summarizing these thoughts on economic policy, we find that a course correction based on a composite strategy in which all sectors of the economy are involved would not be without chances for success. Developments on the labor market alone make such a correction necessary. Otherwise, this dangerous trend would cause a growing number of young people not to be integrated into the economic process. This not only relates to the question of whether there are enough job-training opportunities for them; it also relates to finding jobs for young people who have completed their training. If this does not happen, a potential will be destroyed which we will badly need during the next decade at the latest—quite aside from the catastrophic social consequences of rising unemployment among young people.

9478

CSO: 3103/228

BUDGET FUNDS PROVIDED TO MUNICIPALITIES, COMMUNITIES

Athens TO VIMA in Greek 24 Jan 82 p 1

[Article by St. P. Psykharis]

[Excerpt] Irakleion, 23 January--Fifteen billion drachmas will be given this year from the state budget to municipalities and communities to enable them to meet their needs and gradually to become main channels for the economic and social development of the country.

This announcement was made today (yesterday) in Irakleion, Crete, by Premier Andreas Papandreu in the course of a speech he delivered at the opening session of the Congress of the Central Union of Municipalities and Communities of Greece being held here.

The premier pointed out that the amount the government has allocated this year for the support of the municipalities and communities is double that given last year for the same purpose by the former government. Papandreu explained that this support in money as well as in measures taken in favor of the municipalities and communities expresses the will of the government to assign, within the framework of the Change, a more important role to the [Local] Self-Government. "The [Local] Self-Government is the foundation of democracy; it is almost the direct democracy," said the premier at the start of his speech and added that he is certain that the Local Self-Government machinery can and must be the channel for economic and social development and that, within the framework of decentralization, the Local Self-Government will be the foundation stone of the Change.

To be able to meet this major new role, the Local Self-Government needs:

First, decentralization through the establishment of second and third-level self-government agencies. Second, active participation of the Local Self-Government in the effort for development. Third, administrative self-sufficiency of the Local Self-Government agencies which should not be an extension of the interior minister no matter how democratic he is. Fourth, economic independence of the municipalities and communities; otherwise, the Local Self-Government will be dependent of and therefore controlled by the central authority.

7520

CSO: 4621/153

SALARY CEILING SET FOR ALL CIVIL SERVICE JOBS

Athens TO VIMA in Greek 24 Jan 82 p 1

[Excerpt] No one can be paid a [monthly] salary exceeding 100,000 drachmas (net amount after deductions) by any public service or agency, according to a draft law which eliminates multiple positions and salaries and which the government will introduce to the Chamber of Deputies in the next few days.

According to reliable sources the drafting of this law (the second institutional law submitted for cleansing public administration) is completed and definitely terminates the phenomenon of [holding] many positions and [collecting] many salaries. Also, the bill limits to the minimum the participation of permanent civil service employees and pensioners in councils or other collective bodies and in most cases establishes the "no fee" principle or the payment of a symbolic fee such as traveling expenses or honoraries. Henceforth, the bill prohibits any deviation from its provisions.

In particular, the bill establishes the maximum limit of total compensation--a ceiling--which will be compulsory for all leading cadres of the state machinery--administrative, presidents of state organizations, secretaries general, etc. No one of these officials can in any way have compensation higher than the net monthly salary of 100,000 drachmas (special allowances, overtime, special compensation). For this reason the bill will provide for the issuance of presidential decrees which will fix in a clear and binding way the level of compensation in special cases (moving, traveling, overtime, etc.).

It was deemed unnecessary to link the 100,000-drachma ceiling with the premier's compensation (125,000 drachmas net amount per month) or with the salaries of supreme justices. The government considered as satisfactory--and effective--the above ceiling of salaries on an impersonal basis and for this reason the bill's provisions will apply to high state officials without exception (members of the government, supreme justices, army generals, governors and presidents of banks and [state] organizations, public enterprises, etc.).

Following approval of the bill which is expected early in March, no official will be permitted to receive total compensation in excess of the one the law fixes and any existing cases where the salaries are greater (certain banks and public enterprises) must conform to the new adjustment.

7520

CSO: 4621/153

PENSION INCREASES ANNOUNCED

Athens TA NEA in Greek 23 Jan 82 p 1

[Text] The pensions of civil servants and military retirees are increased by 4 to 88 percent as of 1 January 82 with cost of living adjustments--from 1,600 to 4,000 drachmas--depending on the level of the pensions on 31 December 1982.

The above was announced yesterday by Finance Minister M. Drettakis who gave the total of the final adjustments which will be in force as of 1 January for salaries and pensions of public employees.

The new minimum pension is now increased to 8,560 drachmas from the present 4,560 drachmas. The increase will more than cover the inflation cost of living for most of the 400,000 entitled pensioners. These cost of living adjustments will be given also to the railroad pensioners, the retired deputies, writers and artists, rural physicians, Chamber of Deputies employees and rural policemen.

New Salary Scale

Minister Drettakis said that a committee will be formed which--in cooperation with those concerned--will prepare a new salary scale for civil service employees. The new scale will regulate various issues such as cost of living adjustments, overtime, temporary personal allowance, etc.

Drettakis pointed out that the salary increases provided by the first cluster of measures as well as the present increases to civil service pensioners are a meaningful effort to start implementing the objectives of social justice as concerns the civil servants and pensioners--measures, that is, which affect about 400,000 families--despite the exceptionally unfavorable economic situation the government inherited.

7520

CSO: 4621/153

POST-ELECTION TRADE BALANCE DOWN

Athens AKROPOLIS in Greek 16 Jan 82 pp 1, 5

[Text] The picture of the balance of our transactions with countries abroad following the assumption of power by PASOK is tragic. Specifically, the first data the Bank of Greece very belatedly gave about our trade with countries abroad in November 1981 (the first month of the PASOK government) show:

First, the crisis in the economy is deeper and broader, while the recession has reached an impasse with the imports reduced by 30 percent, at least in volume (while the domestic production is not doing any better).

Second, and this may be more significant, the data show that the confidence abroad in the possibilities of the Greek economy under a PASOK government is sagging with the result that even our exchange reserves have dropped. In November alone these reserves were reduced by 117 million dollars. Also reduced are:

First, the remittances of the emigrants and of our seamen. In the first case the exchange sent in November by the emigrants was only 64 million dollars compared to 90 million dollars in the same month last year. The seamen sent only 123 million dollars compared to 161 million dollars in November 1980.

Second, the private entrepreneurial capital (for real estate purchases, other investments, etc.) which entered the country in November was 8 million dollars all in all compared to 130 million dollars(!) the same month last year and to 116 million dollars in November 1979.

7520

CSO: 4621/153

FIRST YEAR MEMBERSHIP IN EEC REVIEWED

Athens O OIKONOMIKOS TAKHYDROMOS in Greek No 53 (1443), 31 Dec 81 p 20

Text/ Today marks the first anniversary of our country's induction into EEC. Exactly a year ago, on 1 January 1981, Greece was officially taking its place as the 10th member of the European community with hopes, expectations and enthusiasm on the one side--the one that led the country to the community--and with criticism and disavowal on the other--the side that had opposed the country's joining the community.

A year later, things are completely reversed. The (supposed) anti-communal side (PASOK) is in power and therefore bears the responsibility to formulate and manage the country's European policy, while the (supposed) pro-EEC side (ND) has become the opposition. (The fact that ND is now the opposition is not completely unrelated to the European policy it followed.)

But what is the progress report, the basic conclusions from 1 year's Greek presence in the community?

1. First of all, the 12 months of Greek participation in the community have confirmed what O OIKONOMIKOS TAKHYDROMOS claimed (and claims) steadily, that is, that EEC is not a panacea, nor the paradise some were saying, nor the nether world as others claimed. The community did not solve "as if by magic" the problems of the Greek economy. Inflation continues to fluctuate at high levels, investments are at an impasse, the balance of payments remains in its usual crisis state and the economy's structural weaknesses are becoming worse. On the other hand, however, neither were the catastrophic predictions of the induction's enemies realized. Greece was not lost. "The metropolitan decision-making centers" did not strangle it; the foreign capital and the multinational enterprises did not invade and take it over; the farmers did not disappear and the workers did not succumb to the community's weight. Things developed much more normally and "prudently." And they would have fared still better if:

2. The ND government had not abandoned--under the weight of the oncoming elections--all serious efforts to develop and present the Greek positions in the EEC framework with a dynamic and, if necessary, aggressive policy. ND had given such an ideological importance to the induction that it felt it completed its mission the moment the induction was officially realized. It failed to understand that participation in the community meant daily negotiations for the promotion of positions, interests and views.

3. Despite the fact that the induction was realized (in 1981) 5 whole years after the application for admission was submitted in 1975, the public administration did not manage to prepare itself effectively to meet the "challenge." Thus it is not at all surprising that Greece will not realize the financial profit it expected from the community budget for 1981. To a considerable degree, this failure is due to the inability of certain administrative services to present the proper plans for absorbing money from the community (though the EEC members also have a tendency to create obstacles).

With PASOK taking over the government reins things have changed radically. The new government, free of past commitments, has ushered in a dynamic policy to maximize the Greek interests and to differentiate Greece's position in the community framework (since the issue of special relationship no longer exists). And it is a blessing that PASOK's rise to power coincided with the process of reviewing the communal policies and budget. This fact provides the new government with the possibility of promoting its positions and of contributing to the overall change of the communal balance, which is what the government is already doing.

On the other hand, the "vetoes" the government used recently in various councils and particularly the one concerning the peace-keeping force in the Sinai, proved that the small countries do have margins for maneuvering in the community framework. If properly exploited, such maneuvering can achieve a lot. And Greece has begun to exploit it already, particularly in promoting its relations with the Arab world.

In any event, next year 1982 will be decisive as concerns the country's relations with the community since the premier announced that the special regime with EEC should be determined within this year.

7520

CSO: 4621/149

BRIEFS

NO LABOR-MANAGEMENT AGREEMENT--The issue of minimum wages paid by the private sector of the economy will go to arbitration following the definite failure late last night of the negotiations between the Greek General Confederation of Labor [GSEE] and the employers. The failure is due to the refusal of the employers to accept not only the GSEE demand (900 drachmas) but also the government income policy (825 drachmas), advancing as their main argument that they will be facing a problem of survival. The employers' single counter proposal was 725 drachmas. At yesterday's meeting--the last one--GSEE was asked to "lower its demand to 825" and at the same time the employers were asked to "increase" their counter proposal in order to find a "middle-of-the-road" solution. The proposal was rejected by GSEE which insists on a minimum of 900 drachmas. The GSEE Executive Committee will meet on Monday to take decisions. [Text] [Athens TO VIMA in Greek 23 Jan 82 p 17 7520

CSO: 4621/153

DEN UYL OUTLINES JOBS PLAN FEATURES

The Hague ANP NEWS BULLETIN in English 21 Jan 82 p 2

[Text] The Hague, January 21--The growth of unemployment can be checked only through job-sharing and shorter working hours, Social Affairs and Employment Minister Joop den Uyl told the second chamber last night.

Replying the debate on his ministry's 1982 budget, Mr Den Uyl said that a redistribution of labour would be a main stay of his job-creation plan to be presented to parliament in February.

He felt job-sharing produced the best results whereas a cut in working hours was far more drastic and only yielded results in the long term.

Other elements of the job-creation plan were special measures to combat youth unemployment, the use of social security benefits to help people find jobs, and creation of jobs in the non-profit sector.

Extra Jobs

Mr Den Uyl stuck to his plan to create 20,000 to 30,000 shared jobs in addition to the expected normal increase in the number of such jobs. But he admitted that various social security and pension problems would have to be solved.

He told the chamber not to expect a panacea, but a multi-annual plan which would be adjusted to developments.

The minister said he understood objections raised in the chamber to government intervention in wages, but he felt employers and workers still had sufficient elbow-room for bargaining. The government however, needed the means to steer the development of wages, he pointed out.

Mr Den Uyl said he and his state secretary, Miss Ien Dales, would await the recommendations of the Socio-Economic Council on their plan to revise the sickness benefits scheme.

Miss Dales told the chamber the cabinet insisted on cuts in family allowances, in particular those paid for students.

BRIEFS

SHARP RISE IN EXPORTS--The Hague, January 22--Dutch visible trade showed a non-seasonally adjusted provisional surplus of 2.0 billion guilders in November compared with a shortfall of 0.4 billion in November 1980, central statistical office figures showed today. The Netherlands does not publish seasonally adjusted trade figures. The November surplus is based on imports and export figures in billions of guilders to the first decimal place. More exact figures will come later from the statistical office. November imports were 13.9 billion guilders, compared with 12.6 a year earlier. Exports totalled 15.9 billion guilders, against an earlier reported 12.2 billions. The first 11 months of 1981 showed a 5.7 billion guilder surplus, compared with a 4.6-billion-guilder shortfall in the same 1980 period. Imports in the first 11 months of last year totaled 150.2 (138.5 billions in the same 1980 period) and exports 155.9 billions (133.9 billion). [Text] [The Hague ANP NEWS BULLETIN in English 23 Jan 82 p 3]

CSO; 3120/39

NEW CONSERVATIVE GOVERNMENT ALLOWS PRICE FREEZE TO END

Stockholm SVENSKA DAGBLADET in Swedish 8 Jan 82 p 24

[Article by Morten Abel: "Price Shock Imminent for the Norwegians"]

[Text] Oslo--The Norwegian price freeze ended at the turn of the year. At the same time prices for a number of general services are going up, state surcharges are removed and subsidies for many foods are reduced. Consequently, the Norwegian people must be prepared for a price shock at the beginning of the new year.

Representatives of the trade unions have already announced that the increased costs of living call for tougher demands at this year's wage negotiations. But for his part Prime Minister Kare Willoch is asking for restraint.

Business and industry organizations have also urged their members to show restraint now that the 5-month-old price freeze has expired. They are appealing to them not to raise prices more than absolutely necessary, and price director Charles Philipson has tried to calm the consumers. He says that they will scarcely be exposed to any price shock even though the pricing in industry and business is now free again.

The State Leads the Way

It is clear, however, that a number of prices will go up, and the state is leading the way. Tobacco and cigarette prices are being raised. A package of 20 cigarettes will cost 2.30 Norwegian crowns more. A package of tobacco will go up by 3.40. A change in the tax on alcohol will mean more expensive beer, wine and hard liquor. A bottle of beer will cost 40-50 ore more, depending on the alcoholic content.

Most people will get an increase in rent from 15-25 percent as of January. In addition, the electricity rates are going up by an average of 17 percent -- in Oslo by as much as 25 percent. This will cause housing costs to take an even bigger bite out of the paycheck than before.

Travel by means of public transportation will also become more expensive, about 10 percent. A trolley or subway ticket in Oslo now costs 7 Norwegian crowns. Those who go to work by car might recall that a few of the major oil companies have already announced that gasoline will become more expensive. It will become more expensive to make telephone calls, and in March postal rates will go up as well. The increases in prices and fees which are a result of government measures will bring about a price increase of a total of 1-1.5 percent as of January.

In the trade unions one is now busy figuring out what demands are to be made at the upcoming wage negotiations. Most of the wage agreements will be revised on 1 April, and this year each union will negotiate separately.

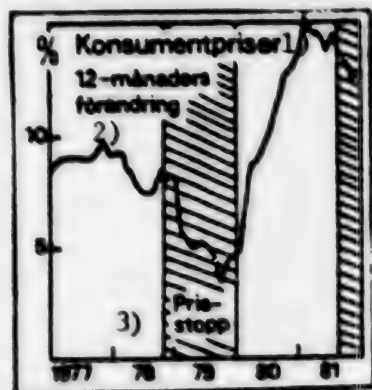
Lars Skitoen, chairman of the Iron and Metalworkers' Union, has already hinted at a demand for a 17-percent wage increase in order for the members to retain their purchasing power. Now the chairman of the Transportation Workers' Union says that his organization will probably ask for even more.

Before Christmas the Construction Workers' Union indicated a wage demand of 10-12 percent, but the chairman now says that the pricing authorities seem to believe in Santa Claus and that it doesn't take a mathematical expert to see that there will be a large price increase in 1982. Therefore this organization as well will pose even greater demands.

Willoch Appeals

Prime Minister Kare Willoch is, quite naturally, calling for restraint on the part of both business and industry and the trade unions. In his New Year's speech in radio and on television he said that if everyone only fights to assure himself of the greatest possible profit for his occupational group, this will weaken competitiveness and threaten employment. To business and industry he said that this sector should refrain from price increases which are not absolutely necessary.

The price increase at the turn of the year comes after a few months of a comparatively slow rate of inflation. The average price levels for last year were 13.6 percent above those of 1980, but the inflation rate was slower at the end of the year than at the beginning. A first indication of what the development for 1982 can be expected to look like will come in February/March. At that time prognoses will be published which will form the basis for this year's wage negotiations.



- Key:
1. Consumer prices
 2. 12-month change
 3. Price freeze

11949

CSO: 3109/92

WILLOCH GOVERNMENT REDUCING SUBSIDIES TO INDUSTRY

Stockholm SVENSKA DAGBLADET in Swedish 8 Jan 82 p 24

[Article by Terje Svabo: "Conservative Party's Economic Policy: 'Reduced Subsidies, Less Support to Industry'"]

[Text] Oslo--Fewer direct taxes, reduced food subsidies, less state support to industry, incentives for savers and abolition of the state majority on the boards of private banks.

These are the principal points of the economic policy presented by Norway's new Conservative government in the weeks since it came to power on 14 October.

It is already obvious, however, that the minority government with 53 out of 155 Storting representatives behind it will encounter problems in implementing the economic policy as it might primarily wish to do.

The first task tackled by the Willoch government was to change the national budget proposed by the Gro Harlem Brundtland government. That budget proposal contained a tax increase of 2.1 billion Norwegian crowns. The Conservative Party cut down public expenditures and eliminated this entire tax increase.

Tax Cuts

For most income earners taxes will thus remain unchanged from 1981 to 1982, but there will be great tax relief for families with children. All of the ministries, with the exception of the Ministry of Defense, will have to reduce their budgets in order to finance the tax relief program of the Conservative Party.

The Conservative Party has promised to cut direct private taxes by 7 billion crowns over the 4-year period from 1981 to 1985. It is already clear, however, that the Conservative Party could meet with difficulty in getting the majority of the Storting to pass such a reform. This fall the government was forced to increase the amount of tax-free bank savings. A taxpayer may now save 2,500 crowns a year and deduct 1,000 of them from his taxes.

In order further to stimulate interest in saving, new advantageous tax regulations for stock investments and, in addition, a government savings bond issue totalling

1 billion Norwegian crowns will be introduced as of the first of the year. Everyone can save 20,000 crowns in this manner. Interest earnings will be index-regulated, so that the value of the earnings will not be reduced because of inflation.

Food More Expensive

With this system the government anticipates receiving 1 billion crowns of the purchasing power of the Norwegians. The aim is to fight inflation more successfully than what was the case during the last few years. Inflation is now as high as 14 percent, measured at an annual rate.

The government's desire to provide tax relief is combined with fewer subsidies for foods. In the budget for next year this will be most perceptible for sugar and flour, which will increase in price by about 2 crowns per kilogram.

The government further intends no longer to use billions to support unprofitable jobs. Instead, the Conservative Party wants to change the tax and surcharge policy for business and industry so that the companies will retain more of their capital for new investments. It might prove difficult for the government, however, to get the majority of the Storting to go along with such a reorganization.

The Odda Case

This was shown by an actual example in the case of support for modernization of the aluminum plant in Odda in the Vestland in Tysse Valley. There, the government opposed the granting of 100 million crowns for modernization but was voted down by the Labor Party and the non-socialist center parties.

A total modernization of the plant in Odda would cost 6 million Norwegian crowns per job, and the government believes it should be possible to arrive at cheaper jobs in the municipal district concerned. This issue will again be debated in the Storting this spring, and at that time the government will present additional material in support of its view of the matter. Indications are that since the government cannot guarantee new alternate jobs for the aluminum plant, the majority of the Storting will favor granting the funds needed to maintain employment.

The Conservative government has already submitted proposals for "desocializing" the commercial banks. Three years ago the then socialist majority passed a resolution that the public should have a majority on the governing bodies of the banks. The Conservative Party wishes to gain the majority in the Storting in order for the stockholders to get their majority back, at the same time as employee representation will be increased.

11949

CSO: 3109/92

OZAL: INFLATION TO BE REDUCED TO 25 PERCENT

Istanbul MILLIYET in Turkish 27 Dec 81 p 14

[Text] Vice-Premier Turgut Ozal has said that "those who deal with agriculture and land are closer to God." The comment came at a meeting organized by the Union of the Turkish Chambers of Agriculture on the occasion of the "Turkish Farmers Awareness Day and the Turkish Agricultural Campaign." Ozal said that this year, for the first time, industrial exports have exceeded agricultural exports. Stating that inflation during this year will be reduced to 25 percent, Ozal said the following :

"A reduction in interest rates before a drop in the rate of inflation would cause inflation to speed up and force us to use the credits that have been obtained for the wrong things. Turkey is in need of fertilizer. Nine million tons of fertilizer will be used in 1982. The state has provided farmers with a 65 million lira subsidy for fertilizers. To use less fertilizer will bring about a drop of its production."

Minister of Agriculture and Forestry Sabahattin Ozbek said that our supply of fertilizer for the year 1982 has been secured. He said : "Great benefits may be obtained by controlling and partially standardizing agricultural credits. We are pleased to announce that Ziraat Bankasi (the Agricultural Bank) has increased to 480 billion liras the credits that it will provide to farmers in 1982. This will bring great flexibility."

General Tahsin Sahinkaya who is a member of the National Security Council and the Commander of the Air Force said that regardless of rank and position all Turks are farmers. He said : "If today we enjoy prosperity and happiness, we owe this to our self-sufficiency in agriculture and food." Following this, Sahinkaya read a message from Chief of State Evren. Evren's message read as follows :

"The agricultural sector occupies a very important position in our society because it constitutes the fundamental strength of our country's economy. There is a very close relationship between sound policies to resolve the problems of those who are occupied in the agricultural sector and the development of our country. In providing leadership, we are trying to direct our work from this point of reference and are seeking to obtain the results that we desire by employing all means at our disposal."

9491

CSO: 4654/128

BUDGET REPORTEDLY CUT TO REDUCE INFLATION

Istanbul GUNAYDIN in Turkish 8 Jan 82 p 5

[Text] Professor Mustafa Aysan who is Chairman of the Budget Committee of the Consultative Assembly said that "Certain cuts have been made in the 1982 budget because the country will not have a healthy economic outlook until inflation is lowered to the desired level."

Announcing that the 1982 budget which had originally been determined at 1 trillion 815 billion liras by the government has been lowered to 1 trillion 796 billion liras by the committee, Professor Aysan said: "We have increased the budgets of the ministries of Justice, the Interior and Rural Affairs while reducing the budget of the Ministry of Industry and Technology."

Stating that inflation still remains as the most important problem facing our economy, Professor Mustafa Aysan said the following: "The unfavorable results of the high inflation which devastated the economic order in the period preceeding 12 September (1980) have still not been removed from the economy. As long as inflation which is the source of all negative aspects of the economy is not fully purged from the system, efforts to increase investment, savings, and growth as well as to reduce unemployment will remain inadequate. A great deal has been said and written about the hazards of combating inflation within an economy while accelerating investment. This is a very difficult thing. All economists will say that investment expansion must be stopped until inflation can be reduced to a bearable level. This practice (of spurring investment while reducing inflation) was followed during 1981. While inflation was being pulled down from the neighborhood of 100 percent, an increase was felt in the rate of investment. Whether or not this practice will be followed in 1982 should be debated."

Professor Mustafa Aysan said that aid to families has been increased to the extent made possible by the budget. Aysan maintained that aid to families of public employees with school aged children has been increased. He said: "In the case of primary school children we have increased the 100 liras proposed by the government to 200 liras, while increasing the 200 liras proposed for elementary school students to 400 liras and the 400 liras proposed for university students to 600 liras." (Presumably all figures are monthly allotments for aid. This is not specified.)

9491

CSO: 4654/128

LIBYAN TIES WITH SOCIALISTS IN ITALY, GREECE, SPAIN, PORTUGAL

Rome IL BORGHESE in Italian 13 Dec 81 pp 919-922

[Article by Adriano Bolzoni: "The Colonel is Becoming Engaged to the European Socialists"]

[Text] The relations between Qadhdhafi and the PASOK of Papandreu. How Tripoli subsidizes the Spanish and Portuguese socialists. The political vacillations of the Italian socialist party in its relations with Libya. The fascinating appeal of petrodollars.

On the day after 10 May, with Giscard d'Estaing defeated and the victory of Mitterrand clear, Col Qadhdhafi claimed credit for Libya in a ringing declaration for the socialist victory in France. "The effect of the great Libyan revolution of 1 September on the French elections constitutes the continuation of its powerful influence on the course of international developments." The megalomania and stupidity of Col Qadhdhafi are not to be smiled at. It detracts nothing from the danger of the man from Tripoli, together with the great corrupting power of the enormous amount of money he has at his disposal.

Aside from the connections, the trade, the relations with the USSR (the accepted mother of "true socialism"), Qadhdhafi maintains or seeks connections, links, or very special ties--like those between the one who pays for services and those who, furnishing them, are paid--with all the socialist parties in Europe. The electoral victory of PASOK in Greece and the coming to office of the socialist Papandreu unleashed the same enthusiasm in Tripoli as the death of Anwar al-Sadat. Mu'ammarr Qadhdhafi for some time has had his supporters, admirers, and clients in the Greek socialist party. If Mitterrand has his Debray, Papandreu can boast of Melina Mercuri in his government. Only 1 week after taking office, Papandreu ordered Mercuri to develop relations with Tripoli to the greatest extent, and agreements were signed for closing the Israeli mission in Athens and granting PLO delegates diplomatic privileges. The colonel from Tripoli is not only the grand treasurer for international terrorism (all the proofs on this question have been furnished; all the evidence has been gathered). With the enormous strength of money and the availability of petrodollars, he even plays a role in the various sections of some European socialist parties as well as at their summit. In that tumor he calls his head, Qadhdhafi believes himself to be the greatest apostle and theoretician of socialism; he is utterly convinced that the infantile

little pages of his "Green Book" contain the ultimate and definitive philosophy of all socialist thought. Libya, defined as the Popular Socialist Arab Jamahiriya, would represent the final and conclusive point of socialism.

Just as the Green Book's printers are paid, so Mu'ammarr Qadhafi pays the representatives and members who are influential in some way in several of the Western European socialist parties and who are ready to believe or to pretend to believe him. Or worse yet, they are disposed to act politically in support of the Libyan colonel's designs. Simply to avoid problems, Qadhafi has his own socialist "international", the OPSPM (Organization of Progressive Mediterranean Socialist Parties). The secretary general of this organization, Ahmed Shihati, the Libyan colonel's trustee, is authorized to release "payment orders" when necessary and has organized "cultural offices" in almost all the West European capitals. In each of these offices, there is also a cashier's office.

Qadhafi's socialist organization, the "international" of parties taking orders from Tripoli, has its headquarters in the Libyan capital. But among the founding members noted during the first conference, held in Barcelona in 1976, were the Spanish popular socialist party of Enrique Tierno Galvan (the PSOE), the Cypriot socialist party of Vlassos Lyassarides (FDEK), the Greek socialist party of Andreas Papandreu (the PASOK), and the Maltese labor party. In his very recent study, Jean-Max Mefret has meticulously documented Qadhafi's financial payments to the socialist parties of some European countries: "More for his generosity with petrodollars than for his ideas, Qadhafi for over 5 years has been influencing these parties, some of which play an important role in their nations [...]. This was seen in Malta, where Libya seeks to influence all the island's policies, even installing a radio station, "The Voice of Friendship," for propaganda toward neighboring countries." Because the Maltese did not appreciate such extravagant Qadhafian colonization, Libya's influence in Malta has diminished. But, with his well-known means, the Libyan colonel infiltrates where he can, where his agents meet with less resistance, where gifts silence scruples. That is the system used with the Spanish PSOE.

"Aware that it does not seem possible to induce Filipe Gonzales to accept Qadhafi's theories, the colonel exploits his friendship with Tierno Galvan, current mayor of Madrid, to incite him to create a new Spanish socialist party." According to the most reliable reports from Spanish sources, Qadhafi apparently has on his side Alejandro Rojas Marcos, socialist leader in Andalusia, and Jose Maria Pastor, civil governor of Cadiz.

The scenario is more or less the same in Portugal. To the tune of money, Qadhafi has reportedly acquired the ownership, or the majority of stock, of a Lisbon daily, bringing over to his side not a few elements of the Portuguese socialist party and even an important member of the Revolutionary Council. It does not seem to disturb the good West European socialists in the least that the very same terrorists operating in Spain, Portugal, Greece, or Cyprus are trained in the Libyan training camps of Okba, Tobruk, Ibn Nafar, or Jediane. For Colonel Qadhafi, everything serves: American veterans from Viet Nam, Soviet KGB agents, members of the Japanese Red Army, neo-Nazis, Italian red brigaders, or ex-CIA agents. The Libyan colonel is even trying to get to the heart of the Italian socialist party. Jean-Max Mefret wrote: "PSI Secretary Bettino Craxi has always tried to

avoid Qadhdhafi and until now has succeeded in doing so. Despite this, Qadhdhafi has not given up hope of changing Croxi's attitude with the help of more radical persons (from the party) such as former Minister of Foreign Trade, Enrico Manca, whose good relations with Libya are certainly not a secret." While recognizing the well-nigh endless financial needs which torment the PSI--as well as the other two parties, the DC and the PCI, overbureaucratized and forced to support organizations, groups, papers, carnivals, and demonstrations of all kinds with daily torrents of money--it is hard for us to imagine a politician of Craxi's stature getting caught in Qadhdhafi's trap. But is easier to imagine, however, the maneuvers of the "radical" elements (read crypto-communist) of the party.

At the last central committee meeting, on the other hand, the most recent declarations of the PSI secretary on the party's foreign policy give rise to perplexities and doubts. Craxi signed a cash credit for the Tripoli colonel and supported in warm tones the policy that "Italy should strive to maintain good relations with Qadhdhafi in order that a policy of clarification be undertaken and continued in a friendly spirit." Simultaneously, there is a stiffening vis-a-vis Israel, "whose unyielding rigidity and annexationist designs have now become a paradoxical example of unreasonableness and political short-sightedness." The far-sighted Bettino Craxi saw all this clearly the very day after the "Faz slap" in the Saudi Arabian face by Arab countries of the "rejection front" (but of course these countries are not rigid or unreasonable in denying even the smallest recognition, even if only implicit and rather theoretical, of the mere existence of Israel.)

Once again, it was Qadhdhafi who would lead the few, with the exception of Algeria, quite negligible countries of the "rejection front" (consisting only of Syria, Libya, communist Yemen, and the PLO--out of the entire Arab world). Not far from the Tripoli residence of Mu'ammarr Qadhdhafi the Ugandan clown Amin Dada and the terrorist chief Carlos, who is responsible for numerous massacres and attacks, live in their villas.

The roof under which Bettino Craxi sleeps does not overlook the blue Gulf of Sirte; for repose in Libya he does not possess an orange grove, nor the shade of cool palm trees. He preferred a suitable lodging in the splendid sea city of Hammamet, near the Roman ruins of Siagu, in the shadow of the Mosque of Sidi Abd el Kader el Djilani. In Tunisia, however.

If we can give some advice to PSI Secretary Bettino Craxi, it is to stay where you are. Today, moves are very costly.

9772

CSO: 3104/89

COURSE OF WALLOON SOCIALISTS UNDER SPITAEELS

Brussels LE SOIR in French 12, 13 Jan 82

[Article by Catherine Ferrant and Jacques Van Solinge: "The PS in its 'Strange Cure' of Opposition"]

[12 Jan 82 p 2]

[Text] From Alimentary Socialism to a Doctrine of Renewal.

What is happening to the Socialist Party [PS (Walloon)]? How is it preparing itself to live through the "strange cure" of opposition which, in the middle of a crisis of the regime, deprives it of national power while at the same time giving it a relative amount of elbow room within the French community, and especially in Wallonia? At a time when the presidency of the Walloon executive body, claimed by the socialists but also by the liberals, must be settled, it would be interesting to take the pulse of the top party in Wallonia.

All the more so as in the upcoming weeks, Guy Spitaels will celebrate the first anniversary of his election to the presidency of the PS. It was a mandate won by a narrow margin and under difficult psychological circumstances because at the time of the elections, Ernest Glinne, Guy Spitaels' challenger, had rallied 47 percent of the discontented to his name.

Well, after 1 year, and if one trusts the external signs of political prosperity, Guy Spitaels seems to have won some bets. The majority of the union federations -- the powerful regional antennas of the party -- seem to be coming round. Relations with the FGTB [General Federation of Labor of Belgium] and the mutual insurance organizations are improving. Yesterday's opponents within the party committee today generally follow the president's line. And in the eyes of the observers, including those within the party, the electoral "non-defeat" of last November may have served as public support for the Spitaels experiment.

And yet, in many ways the party is walking a tightrope. The opening toward other progressives -- and specifically the Christians --, which was begun at the time of the elections by the rapprochement with the RPW [People's Walloon Rally] of Mesars de Wasseige and Mottard, causes a gnashing of teeth within certain federations. Exclusion from national power and the uncertainty surrounding the nature of the weapons the PS will have at its disposal in the Walloon region threaten what is being called "alimentary socialism." This subtle network of relationships and

influences which has always given the party the power to get -- for its members and for the municipalities it controlled -- its "share of the public cake": subsidies for associations, housing, jobs or nominations for people ... The socialists have always based their political power on meeting the economic needs of its active members.

And, without wanting to deprive himself of this "socialist machine" on which the party bases its strength, Guy Spitaels has, from the very beginning, demonstrated that he would not limit himself to making it run well. That he intended to turn the PS into a modern party, one that is alive and in which opposition is expressed, and in which doctrines and choices, possibly disturbing to some, take shape. And even though it is too early to draw up a first balance sheet for this process, it is possible to form an idea of the inflexible attitudes the president has to face. Within the federations, and particularly the one in Brussels, which has become paralyzed by the weight of "small politics." Within sizable action movements, like the one preparing the "Renew and Act" congress to be held next spring, which is supposed to strengthen the doctrinal bases of the party. As of today, Spitaels has presented his executive committee with a program of economic and social revival, but the climate and the results of the preliminary studies have not completely satisfied the activists who expected the Spitaels presidency to produce a candid and courageous analysis of the crisis.

Being a supporter of "new fields of struggle," of reflection and of clear actions in the political area -- which is proven among other things by his recent commitment to federalism --, the president has sometimes been stymied by the weight of the federal or local apparatus, which is skilled at making the structures work to smother hints of opposition or renewal.

Spitaels Machinery Tested Daily

When he succeeded Andre Cools, on 22 February last year, Guy Spitaels set as his priority goal a return to pacification within the socialist family. To this effect he has renewed a dialogue with the FGTB and with the mutual insurance organizations. The pacification is also noticeable at the executive committee level. As unsuccessful candidate for the party presidency, Ernest Glinne has ceased to be the eternal rebel: his interventions, listened to, go along with the positions defended by the president. With Henri Simonet the thaw has been slower, but the high profile of the former vice president of the European Communities is once again seen at the Monday meetings.

In contrast with other politicians, the man whose circle has christened him "GS" does not have and does not want either a "father Joseph" or a mentor nearby. There is nevertheless a "Spitaels team," which consists of approximately 30 people, often unknown to the public at large, but who usually hold key positions in the upper level civil service. This team forms a veritable network, which can be mobilized at any moment and covers all the nerve centers of Belgian society. The list of these advisers really marks out Mr Spitaels' career: Free University of Brussels [ULB], study groups, ministerial staffs (Employment and Labor, Budget, Communications).

Network

Who are the members of the network? In the economic and financial fields, in addition to Andre Mayeur (Central Office for Mortgage Credits), ever faithful, and like Guy Spitaels from Ath, there are Thierry Vivario (a former official in the Ministry of Communications), son of the former general chief of staff; Robert Tollet and Richard de Falleur (Planning Office), Andre Baeyens (secretary general in the Ministry of Economic Affairs), Roland Beauvois and William Fraeys (National Bank), Fred Rampen (National Company for Credit to Industry) and Jules Gazon (Meuse Tubes).

In terms of social problems, the advisers are Michel Jadot (secretary general of the National Labor Council), Maurice Andre (director general of the National Employment Office), Fernand Dupriez (general manager in the Ministry of Employment and Labor) and Andree Marcel (director general of the National Retirement Office for Salaried Workers).

This coverage of political activity can be found in the most varied areas. Communications with Jean-Claude Dehovre (current chief of staff of Valmy Peaux), Andre Pahaut (vice president of Sabena), Pierre Burton (president of the Belgian National Railroads) and Christian Basecq (deputy chief of staff of Freddy Willockx at the PTT [Ministry of Posts, Telephone and Telegraph]). Defense and foreign relations with General Guy Sokay (chief of staff of Philippe Busquin at the Ministry of the Interior). The civil service with Merry Hermanus (chief of staff of Vice Prime Minister Guy Mathot) who, as a member of the famous Dekens Committee, is in charge of all appointments in the upper level civil service. The budget with Marc Tournemene (Treasury inspector), the environment with Charles Picque (from the King Baudouin Foundation), university questions with Fernand Van Dingenen (a former official in ministerial staffs), Jean Michot (rector of the ULB) and Paul Levaux (secretary general of the National Fund for Scientific Research).

Immediate Circle

And then there is the immediate circle, those whose offices are located on the Boulevard de l'Empereur. The task of his personal secretary, Yvette Mercier, also from Ath, is to discourage anyone from forcing the doors of the presidential office. Jean-Louis Lhoest, former editor in chief of LE PEUPLE, is to assist the secretary general of the PS. Francois Pirot, a man from Liege who is always ready for a laugh and who has a Falstaffian figure, directs the Emile Vandervelde Institute and has supreme control over the study groups.

Then there are the remaining two in charge of public relations for the party. Roger Claes came from the press service at Sabena. He started to work with Guy Spitaels at the Ministry of Communications. Michel Henrion, who was a reporter for LE PEUPLE for 13 years, joined Spitaels' staff at the Ministry of Employment and Labor in 1977 and, charmed by the intelligence of his boss, he never left him.

Guy Spitaels pays very particular attention to the memoranda and written reports passed on to him by his network colleagues. He prefers by far this method to oral reports. He will probably never give up the work habits he acquired at the Institute of Sociology of the Free University of Brussels.

A Day with Spitaels

His work days begin in an unchanging manner: he listens to the news on the RTBF [Belgian Radio Broadcasting and Television System - French Service], at 7 o'clock, to regional information on Radio Hainaut at 7:30 am, to the written press review on the RTBF radio at 7:45 am, to the news on the BRT [Belgian Radio and Television - Dutch Service] at 8 o'clock; meeting at his office at 8:30 am to read the newspapers and the mail with Michel Henrion, Francois Piroot and Yvette Mercier. From 9 o'clock onwards, the president begins to absorb the memoranda from the network members.

On the fourth floor of the Boulevard de l'Empereur, Guy Spitaels had his office decorated to his taste. Whereas Andre Cools liked to surround himself with personal souvenirs and pictures of his friends, the current president of the PS prefers eclecticism: a portrait of Emile Vandervelde painted by Opsomer, a planisphere, a map of the party federations, an old engraving depicting his good city of Ath, a drawing by our colleague Royer and, the only visible concession to sentiment, a picture of his two children, Thomas and Emmanuelle.

As for the evenings, the majority of them are devoted to a tour of the federations in French speaking Belgium and in Ath. Having returned somewhat by chance to the city of his birth, Guy Spitaels has obviously taken to the game of mayoral work. An image of the clearly Walloon choice the president seems to have made for his party? We will get back to this in later issues.

[13 Jan 82 p 2]

[Text] When the Desire for Change Collides with the Dogma.

When he became head of the Socialist Party, 11 months ago, Guy Spitaels set as his objective, among others, the renewal of an idol with clay feet, omnipresent but torn apart and somewhat disoriented in terms of doctrine.

All through the past months, Spitaels has pursued his "basic" psychological work with a few shock operations which were aimed at getting the staffs and the active members out of their torpor: putting the preliminary activities for the "Renew and Act" congress back on track, opening -- during the electoral campaign -- to the "leftist Christians," launching a "political marketing" operation during the campaign. These initiatives, which were generally well accepted in principle, have caused -- and still do -- gnashing of teeth as soon as they touched on "acquired rights," within the federations and among the activists. And to defend these initiatives, Spitaels who, as we noted earlier, makes his decisions alone, will be able to count only on himself.

Let us, to begin with, recall a presidential reform which produced happy people because it resulted in saving the electoral bacon during a difficult political period: the political marketing operation which succeeded in centering the electoral campaign of the PS around the person of its president.

Head of the President

It was Michel Henrion who, together with his comrade Roger Claes, threw himself headlong into the organization of PS propaganda. Inexhaustible on the subject, he is more than a little proud of having carried the first "political marketing" operation in the history of the PS through to a successful conclusion: how to get accepted through a motto so lacking in any kind of promise as: "It will be hard, but the Walloons will pull through!"

With a budget which was barely higher than the one the party had in 1978, he wanted to innovate. Thus, the Boulevard de l'Empereur gave up the "every mailbox" mailings and the electoral leaflets which the citizens-voters, oversaturated with various papers, inevitably throw away in the trash. The federations remained free to continue in the traditional way. Furthermore, in contrast to their Flemish colleagues in the SP [Socialist Party (Flemish)], Michel Henrion and Roger Claes did not throw themselves into a gadget strategy. All efforts were concentrated on what would be likely to attract the attention of the people at every moment. This is why, whenever possible, they resorted to advertising messages in the written press. There was also an increase in the number of 20 square meter wall posters and a mass use of bumper stickers. Such a plan of action obviously worked through personalization. In Brussels, the campaign run by the national organization was centered exclusively around the person of Guy Spitaels, with the motto: "The major French speaking force will do a better job of defending Brussels." In the Walloon districts, half of the propaganda was based on the image of the president and the other half on the motto: "No more domination of Wallonia." This personalization -- this "Spitaelization," some people have said -- was all the more conspicuous with the increasingly large place in the media occupied by visual advertising. In this respect, the PS has played the telegenic and photogenic card of its president to the hilt.

This is a noteworthy development for a political group where, until not so very long ago, a vote for the list was a moral rule and a preference vote an incongruity. Certain federations -- it is true that they are increasingly less numerous -- continue to prohibit their members from engaging in any personal election campaigning.

Rallying of Progressives?

The electoral campaign has also given the president of the PS the opportunity to carry out another spectacular operation: that of beginning the famous "rallying of the progressives" which has been the spearhead of certain leftwing Walloon elements since the sixties. It involves bringing together in a single struggle the union and political activists of the Christian left, federalists and socialists. True, the first steps toward such a rapprochement took form in groups such as the "Bastin-Yerna group," where, since 1970, Christians and socialists have conducted common analyses of the economic and social crisis.

The break-up of the RW [Walloon Rally] last October, on the eve of the elections, gave the PS an opportunity to welcome a few dissident RW members -- regrouped in the "People's Walloon Rally" -- on coalition lists. In Liege, it was no great problem for the socialists to include on their list, in a place useful for election to the Chamber of Deputies, Jean Mottard, a "sociological socialist," layman,

federalist from the very beginning and a personal friend of several local PS personalities. The welcome was cooler for Marie Caprasse, a Liege unionist and Christian. And in Charleroi, the possibility of making room for Yves de Wasseige, former chief of staff of Minister Oleffe (PSC [Social Christian Party (Walloon)] and MOC [Christian Labor Movement], who became an RW senator at the previous election, was thrown out by the local activists. After the elections, a "second chance" given to Yves de Wasseige and Jean-Emile Humblet, another former RW senator, Christian and from Brabant, as coopted senators also made waves. True, the reservations of the activists and the party staff can be explained by personal factors. In a group which is as hierarchical as the PS, where to be placed in useful order on an electoral list usually represents the crowning of years of orthodox militancy, the "parachuting" of persons outside the life of the party, even for reasons of superior interest, causes a gnashing of teeth. Furthermore, the personality of those "who have been given a second chance" -- who actually continue to form a political party separate from the PS -- explains a good number of reservations. But beyond these ups and downs, it is clear that even in Brussels, and especially in Hainaut, the activists view the opening to the "religious bigots" in an unfavorable light. Political and union confessionalism have a hard time in French speaking Belgium ...

PS Forced To Think

To be sure, Guy Spitaels does not encounter the same problems when he endeavors, as he has been doing since the elections, to break out a progressive majority within the political bodies of the French community and of the Walloon region, by increasing the number of contacts with the ecologists, the RW, the FDF [Democratic Front of Brussels French Speakers], and the communists. "High politics" barely touches the activists ...

In order to force his party to think, as it were, Guy Spitaels set about pulling an old project out of the drawer as soon as he arrived at the Boulevard de l'Empereur last spring. The project was the organization of a congress, which had been regularly postponed indefinitely and will finally be held next spring, around the theme "Renew and Act," a congress for the redefinition of doctrine. He entrusted its organization to committees of experts to which, in addition to the party "bosses," he appointed intellectuals who are less involved in the structures.

In this respect, the activities of the social committee have not really posed any problems. But in the economic committee, it was impossible to develop a common doctrine beyond generalities, as the discussions ran into a deadlock as soon as specific problems were raised. Very traditionally, there were clashes between the orthodox "monetarists" and the "leftist" economists. Incoherent texts had to be sent to the party study bureau. And it is on the basis of this that the bureau finally drew up the thick 320 page report which President Spitaels is presenting to the press today. A report which, even though it is supposed to provide the socialist answers to the crisis, has not been able ultimately to avoid a mass of nuances, and inevitable ambiguities. We will come back to the content of this text in future issues.

Get Out of Consensus

This shows how difficult it is, in a party as large as the PS and which was presented in the electoral campaign as united around simple slogans, to go beyond consensus.

And in particular, the "right to a faction" within the party -- which will also be the object of a report at the "Renew and Act" congress -- continues, after a year of "Spitaelism," to create waves in the party. Specifically in Brussels, where the electoral hemorrhage continues and where clashes between "rank and file" activists and leaders, and confrontations between personalities such as Henri Simonet and Philippe Moureaux, have sown a certain confusion among the cadres.

In this respect, a very recent attempt to make the party more "dynamic" is worthy of attention: the creation of a "Socialist Reflection and Action" group [RAS] by activists from the left wing of the party. This group, which includes few names known by the public at large, cannot, however, be simply considered as "marginal." Under the leadership of Raymonde Drury and Bruno Vinikas it has gathered some 150 followers and its first congress will take place on Saturday.

The hierarchy of the federation has received this initiative, which remains within the party but compromises the image of unity which the PS persists in wanting to project to the outside world, rather coolly. Monolithism has a hard time within the "socialist apparatus" ... In contrast to the PSC, suffering from its factions, one might wonder whether the PS, which has certainly been bucked up by recent treatments, is not still threatened by the illness of consensus ...

8463

CSO: 3100/243

DIVISIONS WITHIN WALLOON SOCIAL CHRISTIAN PARTY

Brussels LE SOIR in French 21 Jan 82 p 2

[Article by J. v. S.: "Division at CEPIC: the Representatives Rally to the PSC 'Center' and the Cause of G. Deprez"]

[Text] Even though it was seriously trounced by the voters, and even though it is very unhappy in its role of "little kid on the block," the Social Christian Party [PSC (Walloon)] certainly has a flair for stealing the show at frequent intervals. Tuesday was a good example of this. Indeed, all the cards have been dealt again within the PSC. And the position of Gerard Deprez, candidate to the presidency, has become such that everything would lead one to believe that, as of 8 February next, the successor to Paul Vanden Boeynants will be able to give up the term "interim" which is currently attached to his function.

Gerard Deprez dreams of a strong and united party, capable of taking up again the exhausting game of pursuit he has decided to engage in with the PS [Socialist Party (Walloon)]. In order to reverse the trend toward decline, he believes that the party must act as a united bloc, and no longer as a vague coalition of perfectly contradictory interests. Even if the right to a faction must be maintained, it is time to put an end to the "families" which have structured themselves as parallel organizations in the party.

On Tuesday, the rules of the game were radically altered. Following 2 years of informal talks, the members of parliament affiliated with the right wing of the party -- CEPIC [Political Center of Christian Independents and Cadres] -- have decided to leave their group to set up a new "rally" (the final name of which has not yet been determined) with the majority of the representatives labeled "without family."

At a time when the PSC is going to have to elect a new president, the internal situation of the party appears as follows:

- On the left, the "Christian democracy" [DC]. It has given up plans to disband. It is true that the political circumstances are such that it has a virtual obligation to survive, because the DC feels uncomfortable in the current government coalition, within which it seeks to appear as the surest guarantee for the interests of the workers.

- In the center, a dominant group bringing together those labeled "without family" and the most representative members of the old CEPIC. Led by Jean-Pierre Grafe and Freddy Francois, this faction unites most of the people who count within the party and who seem to have thrown themselves into an operation for the survival of the PSC.

- Finally, on the right there remains the implacables of CEPIC, who reject the pure and simple dissolution of their movement.

For ages, the social Christian representatives affiliated with CEPIC have been in disagreement with their most extreme activists. This divorce became official Tuesday at noon. The "implacables" have decided to pursue their action as, following the resignation of former Minister Jean-Pierre Grafe, they decided to bring Doctor Georges Henrard, a Liege physician who came over from the PRL [Liberal Reform Party (Walloon)], to the presidency of CEPIC.

It is also clear that the elected members of the PSC who were classified as belonging to the right wing of their party appreciated less and less the elbow to elbow companionship with very pronounced rightwing personalities, who were suspected of being on neighborly terms with extreme rightist neo-fascist organizations.

It remains to be seen what impact CEPIC, trimmed of its most moderate elements, will still have now. The determining factor should be the return obtained by Paul Vankerkhoven, very strongly rightwing, in the struggle for the presidency of the PSC.

The French speaking social Christians are trying to recuperate following their recent disappointments. And Gerard Deprez is trying to fight against the "families" in the name of the right to a faction. "If you disagree, say so within the structures of the party," he said in substance, "but stop organizing yourselves in sub-parties." In this respect, Mr Deprez has insisted on the commitment which all the candidates to the presidency of the PSC will have to subscribe to.

"We want to put an end to the organizations of families which have equipped themselves with structures similar to those of the party bodies. Hence, it is a problem of structure. The right to a faction implies that the positions are defended within the PSC and not by way of taking public positions. I am in favor of a re-centering of the PSC for a greater cohesion of the party."

8463

CSO: 3100/258

DIFFICULTIES IN LAUNCHING REGIONAL GOVERNMENTS

Zurich NEUE ZUERCHER ZEITUNG in German 26 Jan 82 p 5

[Article: "Labor Pains for Belgian Federalism--Dissent Among Regional Governments"]

[Text] Brussels, late Jan--As of one month ago, Belgium does not merely have a new national government, it also has three independent regional governments: one for Flanders, one for the Walloon region and one for the French community. The French community's administration deals with the cultural and personal matters affecting all Francophone Belgians. Apart from the Walloons, this includes the Francophones of the capital, Brussels. On the Flemish side however community and region are an indissoluble entity. The filling of vacancies in the three regional governments did not require any lengthy coalition negotiations; it was determined by the results of the parliamentary elections of 8 November, inasmuch as the regionalization law of August 1980 required that the new administrations were to be based on proportionality for the first legislative period. In this manner the nine-man Flemish government divided the ministries as follows: four Christian Democrats, two Liberals and Socialists each, and one for the Volksunie, which is pressing for radical autonomy. In the six-man Walloon regional government, there are three Socialists, two Liberals and one Christian Socialist. The French community's government affairs are conducted by two Socialists and one Liberal. The smaller parties are not represented due to an insufficient number of available seats.

Unbridgeable Controversies

Had the law intended, by virtue of the proportional distribution which is later on to be replaced by the usual process of forming a coalition, that the new regional governments should proceed to their work in unanimity and without the usual inter-party squabbles, the result was the exact opposite. The Christian-Liberal government bloc and the opposition, which are split along nationalist lines, were unable to overcome the friend-enemy configuration at the regional level. A clear separation between national and regional politics becomes all the more difficult since the members of the national parliament are identical with those of the regional and community councils, as the regional parliaments are called. The three councils to which the regional governments answer are for the time being composed of the national delegates and senators who represent the individual language communities and/or regions. The Flemish Council has 185 members, the French Community Council 136 and the Walloon Regional Council 106.

Within the Flemish administration, in which Christian Democrats and Liberals have a comfortable majority of six out of nine seats, confrontation became so pronounced that the two Socialists and the one Volksunie politician have already become known as the "opposition ministers." Those three feel severely discriminated against in the allocation of responsibilities. The two Socialists even took their complaints to the National Council, but to no avail. They proposed an alternative program for the government manifesto which is to be announced on 25 January.

Socialist Demands.

Quarrels among the Francophones have the opposite characteristics. There the Socialists grabbed with both hands for the power about which they had dreamed for many years during the battle for regionalization. In the opinion of many observers, they nonchalantly renounced their participation in the Brussels government so as to be able to establish their Walloon fortress independently of national concerns. It is true that they have an absolute majority neither in the Walloon Regional Council nor in the French Community Council. But with the help of the language-oriented parties, the environmentalists and the communists, they were able to capture the chairmanships of both bodies.

In the administrations the socialist conquest did not proceed quite so smoothly. While the chairmanship could not be denied them in the French Community government, a stalemate exists in the Walloon regional government between the three socialist ministers and the three ministers belonging to the national government majority. Until now, Liberals and Christian Socialists have refused to recognize the ambitious Socialist Dehousse, who had already previously assumed the mantle of a Walloon "prime minister" within the national cabinet, as their "chief." They consider it inappropriate that the Socialists, who had won a mere 37 percent of Walloon votes, are laying claim to all four chairmanships which are available within the Francophone part of the country. After a tug of war lasting for several weeks the Socialists now appear prepared to give in and to relinquish the chairmanship of the French culture council to the Christian-Liberal "opposition." Since there is not even agreement on the distribution of responsibilities, the activity of the Walloon regional administration has to date been at a complete standstill, which has however not deterred it from promising subsidies to several distressed enterprises.

Admonition By the King

The proportional governments do not agree on their policies either. In the French community administration, which was the first to present a government manifesto early this week, the argument centered on media policy. While the Socialists did not wish to interfere with the position of the national radio and TV institution, the Liberal minister, true to the national government program, showed determination to break the state monopoly. There is a certain amount of unanimity among all regional politicians in their desire to extend their rudimentary administrative scope and their functions. But while the Christian Democrats and Liberals want to proceed carefully, the language-oriented parties and the Walloon Socialists are steering a course of open warfare with the national government. It is expected that the Socialists in the Walloon South will make every effort to go against the central government's economic and social policies and, to the extent they are able, to steer a collision course. King Baudouin, who is recognized as the lone remaining national Belgian "institution" which is immune from becoming involved in the Flemish-Walloon controversy, is watching these developments with obvious worry. After the swearing-in ceremony he urgently admonished the regional governments to strive for harmonious coexistence and honest cooperation with the central government.

EC PLEBISCITE SEEN MAINLY A QUESTION OF NATIONALISM

Copenhagen BERLINGSKE TIDENDE in Danish 27 Jan 82 pt II p 2

[Article by Chr. Brøndum: "Greenlanders Fear New Colonial Masters"]

[Text] The EC plebiscite in Greenland to be held on 23 February will not only be a question of economy, fishing quotas, and grants but, to a larger extent, of political independence, national independence and self-confidence.

When, on 23 February, the voters in Greenland will vote for, or against, Greenland's continued membership in the EC, it will not be the economy, fishing rights, and grants which will play the dominant role in their decision-making. The plebiscite will, to a large extent, be a question of greater political independence, national independence and self-confidence.

It is a plebiscite based on the development, in the course of only a decade, of a political pattern with parties and election campaigns, and the plebiscite is, by many people, viewed as a natural extension of the introduction of home rule. The decision on home rule and now the EC plebiscite will determine Greenland's internal conditions and relations with the outside world far into the future.

Jens Kreutzmann, marine biologist, 45, educated in Denmark, with a thorough knowledge of the Greenlanders and the Danes who have been sent to Greenland, puts it this way: "The Greenlanders are afraid of getting new colonial masters from the EC."

Siumut ["Forward"] Against, Atassut ["Mutual Cooperation"] for, EC

While the Siumut party, which is in power in the Landsting, and which, in the Folketing, through its member of the Folketing, Preben Lange, cooperates with the Socialist People's Party, wants for Greenland to withdraw from the EC, the other large party, the Atassut party, represents the supporters of EC membership. The two parties are almost equally large, and if the results of the elections to the Folketing on 8 December 1981 will have any bearing on the plebiscite, it will, indeed, become an extremely close race. Atassut is of the opinion that it will be able to win a majority for Greenland's continued membership in the EC if it can persuade 500 opposing voters to become supporters.

Siumut and Atassut arose as political groups in 1970-71, and Siumut was in 1971 represented by the three present members of the home rule government, Jonathan Motzfeldt, Lars Emil Hansen and Moses Olsen in both the then existing provincial council in Greenland and in the Folketing. Atassut's leading figures are the chairman, former chairman of the provincial council, Lars Chemnitz, Otto Steenholdt, member of the Folketing, and the chairman of the party's Danish supporting society, Jørgen Hertling, formerly chief constable, now an attorney.

Greenland's Rejection in 1972

It is generally believed that the 20 percent of the voters who are Danes, to a large extent, support the Atassut party, which was formed for the purpose of maintaining and strengthening the relationship between Greenland and Denmark, also because Danes in Greenland are largely better off than Greenlanders. In the Folketing, Atassut is in the same group with the Social Democratic Party and corresponds politically to the right wing of the Social Democratic Party.

The membership in the EC has since 1971 played a very great role in politics in Greenland. In 1971, the then provincial council took a stand in favor of the EC, but shortly before the referendum on EC membership in 1972, the provincial council changed its position, and a narrow majority then wanted a separate referendum in Greenland, but, on account of the late reversal of the position of Greenland, a joint referendum was carried through, which resulted in 70.9 percent of the voters in Greenland voting against the EC, but which nevertheless got Greenland into the EC along with Denmark.

It was, incidentally, in 1972 that Moses Olsen in the Folketing demanded a referendum on Greenland's affiliation to Denmark on the ground that with an extended right of self-determination Greenland could decide for itself whether it wanted to become a member of the EC. Home rule became a reality on 1 May 1979.

Want Themselves to Negotiate Fishing Quotas

Apart from the fact that a large section of the population wanted to demonstrate Greenland's and the Greenlanders' new independence through a rejection of EC membership, it is now as in 1972 the situation of the fishing industry which is the main economic reason for the opponents' desire to withdraw from the EC.

Nikolaj Heinrich, chairman of the fishery organization KNAFK, says: "Since we got into the EC, the development of our fishing industry has come to a standstill. KNAFK is afraid that the EC will merely fix the fishing quotas off Greenland, and that foreign interests will turn their eyes toward Greenland when the resources become scarce in other places of the world. When we get out of the EC, we shall be able to negotiate the EC quotas ourselves."

The ordinary fisherman is often opposed to the EC because--as it is being said--he wants to decide himself whether he can fish cod in his fiord, and the fact that several German trawlers have been caught fishing cod and Norway haddock illegally has contributed to the aggression.

Deficit of Fishing Industry

The argument of the EC supporters toward the fishermen is that, even if Greenland gets out of the EC, Greenland will, in its negotiations with the EC on its new relationship with the EC be forced to give up fish to the fishermen of the EC countries--and perhaps have fewer possibilities of having its views advanced. To this comes that the Greenland fishermen today catch the major part of the TAC quotas for cod and shrimp which are the most interesting species off West Greenland. It is not very profitable to fish the remaining tons within the quotas. In addition, they point out that the fishing industry today as earlier results in deficits.

The Royal Greenland Trade Department, the KGH, which receives most of the Greenland catches, has a deficit on its fishery production of 60-70 million kroner annually, and the Godthåb Fishing Industry, which is owned jointly by the state and a number of Danish fishing industries, has for years had deficits of millions of kroner. The Godthåb Fishing Industry, at present, has an application with the finance committee of the Folketing for a state guarantee for a cash credit of 12 million kroner as well as interest subsidies.

Only off East Greenland is there large-scale fishing from non-Greenland vessels, which especially catch large quantities of Norway haddock and capelin. Here, the EC opponents say that Greenland may count on considerable profits from selling fishing licenses, but opinions differ widely on the magnitude of the profits that may be made.

EC Grants Discontinued

On the other hand, the grants from the EC Regional Fund and the Social Fund of at least 130 million kroner annually will definitely be discontinued if Greenland withdraws from the EC. The Regional Fund supports mainly infrastructure, construction projects such as road construction, airport construction, tank installations, etc., while the Social Fund pays 55 percent of the vocational training costs in Greenland.

Here, EC opponents claim that, at the purchase of foodstuffs, among other things, outside the EC, Greenland will be able to save 70 million kroner annually. This figure, however, has been rejected by Minister of Taxation Mogens Lykketoft. The figure is more likely to be 9.6 million kroner. Gunnar Martens, chief of the secretariat of the home rule government, tells BERLINGSKE TIDENDE in conformity with this that the figure of 70 million kroner is entirely unrealistic.

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BRIEFS

EC COMMISSION HINTS FLEXIBILITY--If Greenland should desire to change its EC status after the referendum, "the EC Commission will study the matter carefully." This is the essence of a reply from the EC Commission to Kent Kirk, the conservative member of the European Parliament. He had asked if it would be realistic to envision a special trade relationship agreement between the EC and Greenland if Greenland should decide to withdraw from the EC. The answer was thus not the clear rejection of a special trade relationship agreement which Kent Kirk probably had hoped for. In its reply, the EC Commission, in no way, precludes a special trade relationship agreement for Greenland but points out that no steps can be taken with a view to the preparation of such an arrangement until Greenland has decided whether it wants to withdraw from the EC. In its reply, the EC Commission, moreover, points out that a change of Greenland's relationship with the EC will require a change of the Rome Treaty, which requires the approval of all member countries. [Text] [Godthåb GRØNLANDSPOSTEN in Danish 13 Jan 82 p 2] 7262

CSO: 3106/56

FDP'S POLICY CHANGE, LAND COALITIONS NOTED

Bonn VORWARTS in German 24 Dec 81 p 7

[Article by Rainer Nahrendorf: "Quo Vadis FDP?"]

[Text] Helga Schuchardt, former Land chairman of the Hamburg FDP, is concerned about the future of her party. "Where is the FDP headed?", asks the FDP Bundestag deputy, who belongs to the party's left wing; she recommends that her party go back to the Freiburg theses of 1971 and translate them into current political decisions. The Freiburg platform — the manifesto of social liberalism that crowned the FDP's shift to leftist liberalism initiated in 1967 — is presently rated by the party's top leaders as at best a youthful novel written in the Sturm und Drang of the early 1970's.

This FDP counterpart to the SPD's general direction planned for 1985 has been laid waste by two oil price surges and global economic crises, but also by a shaky finance policy and a reform policy that severely overtaxes the capacity of the economy. Freiburg, the policy expression of the FDP's "Historical Alliance" with the SPD, is as outdated as the historical alliance itself.

Consider Margrave Lambsdorff, who today would be fighting for the Freiburg compulsory profits tax plan for capital formation, a tax on land value appreciation and an inheritance tax. An FDP that followed Frau Schuchardt's advice and consistently carried out the Freiburg program would be firing full blast at its own lines in the battle against the investment crisis.

The FDP turned away from Freiburg as early as 1977 with the Kiel theses. The FDP's policy change became complete with Hans-Dietrich Genscher's letter — entitled "Our Country Stands at a Crossroads" — written to his party colleagues in line with Operation '82. This letter is the instrument of abdication of a social liberalism that failed politically because of the prerogatives-mentality it helped breed. It is an expression of the FDP's return to principles of classical liberalism, to individual responsibility and the desire to achieve. Although the FDP has been unable in the course of Operation '82 to effect the policy change declared by Genscher to be necessary, it has managed to make decisive corrections.

The change in the FDP's political position is of course not the result of any long-range strategy by the FDP leadership but is more of a clever tactic of adapting to new trends among the voters. Aside from the protest and alternative movement, the

general electorate has grown more conservative. The left-leaning "new center" discovered by Brandt in the early 1970's no longer exists.

Moreover, the FDP's neo-liberal policy is definitely effective in terms of the voter. The party has managed to retain the support of a large number of the voters won by the Union in the 1980 Bundestag elections. At 9.4 percent, it is only 1.2 percentage points below its 1980 Bundestag election result. The 10.6-percent result in 1980 was, however, by far the best showing the FDP has ever made in the social liberal coalition. Of course, the FDP did even better when its partner was the CDU.

The neo-liberal policy is attracting not only new voters but also new members. The new memberships of painters and brokers are a signal that the swap processes now taking place in the electorate and the membership are the opposite of those in the early 1970's. The "infiltration" by the self-supporting is essentially a return migration.

In the case of the four Landtag elections in 1982, the situation is so perplexing for the FDP because it has to try to stand its ground vis-a-vis a strong right-of-center trend in the electorate and a voter protest trend that is considerably weaker by comparison. The dilemma into which these centrifugal forces are plunging the FDP is shown by the Lower Saxony FDP's public coalition statement. Although, in view of the desolate situation of the Lower Saxony SPD, the party has prospects of participating in the government only at the side of Ernst Albrecht, it has shied away from a clear endorsement of the CDU in order just to make it back into the Landtag in competition with the Greens. The FDP is faced with a similar dilemma in Hamburg, although the CDU's chances are not as good here.

In the decisive Hesse election, however, where the two-thirds majority in the Bundesrat is also at stake for the Union, the FDP could find itself in an awkward situation similar to the one in Berlin. Given the generally expected entry of the Greens into the Hesse Landtag, and unless the FDP fails to clear the 5-percent hurdle, it is possible that the Free Democrats and Social Democrats would be unable to gain a majority. In that event the only coalition that could govern would be one between the CDU and the FDP. The FDP would then have the choice — as in Berlin — of joining the coalition or tolerating a CDU minority government. Since, however, the Hesse cabinet would then acquire a key role in the Bundesrat and would help determine the Bonn coalition's capacity to govern, the Hesse FDP could hardly limit itself to mere toleration. It would have to seek a voice in the governing process.

It would be consistent if the FDP were to express also in its coalition statements the change it has made in its policy.

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CDU/CSU SEEN LACKING CLEAR OSTPOLITIK

Bonn VORWAERTS in German 24 Dec 81 p 7

[Article by Peter Kutschke: "German-German: Kohl Seeks Refuge in Polemics -- Union Still Without Clear Policy on Detente After Schmidt's GDR Trip"]

[Text] CDU and CSU reactions to the chancellor's trip to the GDR show that the Union is divided in its policy on Germany and detente. Helmut Kohl's solution: resort to polemics.

Five days after the chancellor's return, it came down to a test of who has the say in an important area of German policy. Last Friday evening it was clear that the former candidate for the chancellorship is the real leader of the opposition.

For 5 days Helmut Kohl had kept silent on what he thought of Schmidt's trip to the GDR. It must have been quite difficult for him because the series of comments by Union politicians on this visit by no means fit in with the Kohl concept of absolute party unity.

Franz Josef Strauss had once again gotten a jump on what the line was to be. He knew even beforehand that the chancellor would be returning from the GDR only "with a small gratuity." Accordingly, his reaction afterwards was to charge Schmidt with "lack of instinct" and "dishonesty." The chancellor had been "hoodwinked." He should have broken off the trip following the imposition of martial law in Poland.

The opinion of Fritz Zimmermann, chairman of the CSU Land group in Bonn, was no different: Of course nothing came of the "bankruptcy meeting." The encounter was a "superficial, ludicrous, cynical fraternization with Honecker." And to the CSU's Graf Huyn, it was all just an "upgrading of East Berlin."

Somewhat more cautious, but also deprecatory, were the criticisms by parliamentary group business manager Jenninger (Schmidt "dubious"), foreign affairs experts Mertes and von Wrangel ("nothing concrete") and Woerner ("meager and disappointing"). Subsequently, as though not enough had been said, Strauss took the offensive again: "complete failure" and "tremendous upgrading of Honecker."

But even the pro-Union WELT was forced to admit that "the Union is having a difficult time...reaching a consensus."

It was mainly the Berlin CDU politicians who were able, without going overboard, to derive some useful and positive aspects from the meeting of German with German. Weighing heavily is the fact that Berlin Governing Mayor von Weizsaecker expressly applauded the trip and the significance of such talks "after the fact as well." He also contradicted Strauss's criticism that Schmidt ought to have canceled the trip following the events in Poland: "This would have destroyed the recent German-German overtures."

Peter Lorenz (CDU), chairman of the Inner-German Affairs Committee, saw the meeting as confirmation of his desire for the ice separating the two parts of Germany to be broken. Berlin CDU parliamentary group chairman Diepgen — truly no liberal Union man — warned against "carping." And Baden-Wuerttemberg Minister-President Spaeth, with all his reservations, called the meeting "useful."

Then on Friday, in the debate on Helmut Schmidt's official report on his trip to the GDR, Helmut Kohl's speech left us right where we were before. The CDU leader could not manage to make up his mind one way or the other; he wanted to satisfy everyone.

The result was embarrassing. Kohl steered clear of the Bavarian's strong words but could not arrive at a distinctive, cautiously positive evaluation. He took some of Schmidt's remarks out of context, carped at them punctiliously and, uttering a series of platitudes in an emotional, superficial and shallow manner, he reduced the inner-German attempts at a greater community of interests and the tragedy of Poland to the level of a battlefield of internal party politics.

In connection with Poland, the CDU chief — a German, of all people — did not shrink from using the words "concentration camp."

Said an observer in the Bundestag press box: "The CDU is practicing Germany policy as recorded in the 1950's."

Helmut Schmidt had this comment: "Some people are still clinging to the practices of the 1960's. Confrontation instead of cooperation, pressure and counterpressure instead of detente and compromise in terms of interests. We have it on both sides; in the GDR as well as here at home."

Said SPD floor leader Herbert Wehner: "Absolute polemics." And: "What a pity, Herr Kohl."

The Union — incapable of learning when it comes to policy on detente and Germany; or — and this would be just as bad — turning this policy into an instrument of domestic political confrontation. There is something not quite right about the image of unity that Strauss and Kohl want to project; inconsistencies lie beneath the surface. As Schmidt said last Friday with reference to the Germany policy differences within the Union parliamentary group, "Herr Kohl has to make up his mind this morning." Kohl made up his mind to waffle.

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GRIMSSON: ICELAND BEING IGNORED IN 'ZONE' ISSUE

Oslo ARBEIDERBLADET in Norwegian 12 Dec 81 p 17

[Article by Lise Borchgrevink, including an interview with Oalfur Grimsson, Althing foreign affairs committee member by the correspondent; date and place not given: "Why Are We Being Kept Out?"]

[Text] We are bitter because our northern brethren exclude Iceland from the work on a nuclear-free zone. Do you in Norway think Iceland is not a part of the north?" This is the manner in which Oalfur Ragnar Grimsson, member of the foreign affairs committee of the Icelandic Althing, expresses his bitterness with the Norwegian peace movement. He is a member of the Icelandic peace movement, which is primarily opposed to the Keflavik base and nuclear submarines in the North Atlantic. Thus far the peace movement has concentrated its efforts upon nuclear weapons on land. "But what happens if we manage to stop the placement of intermediate range missiles in Europe? They will probably be put in submarines instead. And this should trouble countries like Norway and Iceland because we are fisher nations," says Grimsson. Grimsson was the only delegate from Iceland to a peace movement conference of most NATO countries in Brussels on last Sunday, where the hottest question was that of stationing NATO's new missiles in Europe.

We know that the United States has already begun placing Pershing missiles at sea. And around Iceland we already have American, British, French, and Soviet nuclear submarines. An accident would be a catastrophe for the fishing industry--nobody would buy radioactive fish.

Iceland Awakened

The campaign against the Keflavik base is not new, but not until now has the debate in Iceland become really heated.

The Soviet submarine incident made the difference, says Grimsson. We Icelanders realized that an accident can happen to a nuclear submarine in peacetime. And the Keflavik base is the very key to the American submarine strategy. But Norway as well is part of this strategy through the Loran C stations.

[Question] Is the Icelandic peace movement clearly directed at NATO?

[Answer] Formerly it was, but today its span is much wider. The question of NATO is not as important as the struggle against nuclear weapons and nuclear submarines generally. The campaign is also supported by the Progress Party (similar to our Center Party), and by the People's Alliance, which Olafur Grimsson represents.

For these reasons we are bitter about Iceland not having been included in the work for a Nordic nuclear-free zone. If the zone were to become a reality it might mean that Iceland would be surrounded by even more nuclear weapons than we are today and be even more in the line of fire. We had expected no such cruel deal from our Nordic neighbors.

[Question] But is it not a question of being realistic, of beginning to work somewhere where results could possibly be obtained. As you said yourself, Iceland is a key for the United States.

[Answer] Perhaps. But to be realistic one should have begun with only Sweden and Finland. There a nuclear-free zone could have been obtained. And speaking of realism, it is as unrealistic to include Norway as to include Iceland.

[Question] It has also been asserted that if Iceland were to be included, the Kola [Peninsula] would also have to be included, which would put the whole zone question into the distant future?

[Answer] Those who make that assertion compare Kola, a part of the Soviet Union, to Iceland. Then they must in fact think of Iceland as part of the United States, says Olafur Grimsson angrily.

Icelandic Dissatisfaction Understood

In a commentary, Ole Kopreitan of "No to Nuclear Weapons in Norway" says he can well understand the dissatisfaction in Iceland at not being included in the nuclear-free zone in the north. "But the reason why the proposal is limited to Sweden, Denmark, Norway, and Finland is that it was thought that the proposal would then have a better chance of not being rejected at the start. For the rest I agree with Grimsson that it would have been even more realistic to begin with a proposal including only Sweden and Finland.

"'No to Nuclear Weapons' is now engaged in a great campaign to collect signatures, which we must wind up before we deal with the question of including Iceland. It is not our intention to stop with the four Nordic countries. We have told the Icelanders that we are interested in continuing contact with them on the matter," Ole Kopreitan concludes, with the hope that the Icelandic peace movement will respond.

PRIME MINISTER FALLDIN COMMENTS ON FOREIGN POLICY, CAMPAIGN

Stockholm SVENSKA DAGBLADET in Swedish 24 Dec 81 p 7

[Article by Ingmar Lindmarker]

[Text] "We must support a democratic process by all possible means," Prime Minister Thorbjorn Falldin said of the crisis in Poland. "We must not demand, for the sake of our own security, that millions of people elsewhere live without rights and freedoms we take for granted."

Falldin spoke about Poland, the submarine affair, and Sweden's security policy hours before leaving the government offices in Rosenbad, which were empty for the Christmas vacation, and flying home to Ramvik.

He admitted that he was shocked to discover that submarine 137 was equipped with nuclear weapons. The proliferation of nuclear weapons has increased the risk of nuclear war in our vicinity and, in this way, the direct consequences of a nuclear war have become more serious for Sweden, according to Falldin.

Surprise

The prime minister was overworked but relaxed, disturbed by a more and more uncontrollable buildup of nuclear weapons and by the situation in Poland as he left for his Christmas vacation. He admitted that the internal military solution in Poland came as a surprise to him.

"I had believed that the three forces in Poland--the party, Solidarity, and the church--could reach a common solution through negotiations, especially to deal with the sagging economy which is the basic problem in Poland."

[Question] What prevented a solution?

[Answer] Here we can only speculate, for there are no objective facts. I believe the party hierarchy feared that the party would have too weak a position compared to that of Solidarity and the church.

Falldin believes it is the state of opposition between socialism and, for example, free unionism that made it difficult for the party to retain power and influence and, at the same time, allow Solidarity to operate freely. According to him, this illustrates the problem communism faces when it attempts to introduce rights that are taken for granted in a Western democracy.

[Question] Is it a dilemma for us in Sweden that democratization in Poland, for example, increases the risk of a military confrontation in our vicinity, that the situation is calmest if nothing happens--even though we know that people are being oppressed?

[Answer] We cannot demand, for the sake of our own security, that millions of people elsewhere live for ever without rights and freedoms we take for granted. We must support and promote with all possible means whatever democratization process is possible.

New Risk Factor

The prime minister does not believe that the crisis in Poland and the submarine affair in themselves have changed the security situation in Sweden or the principles of Sweden's foreign and security policies. He does believe, however, that the fact that the grounded Soviet submarine probably was equipped with nuclear warheads indicates the increasing presence of nuclear weapons.

"The fact that at least some of these submarines possess nuclear warheads increases the risk that nuclear weapons may be used without orders from the highest political authorities," Falldin said, speaking of the Whiskey class submarine involved in this affair.

"A new risk factor has come to light in this submarine affair."

This event has made it even more important for Sweden to press the nuclear powers to decrease instead of increasing their arsenals. According to Falldin, the involvement of our nation is important for creating trust between the superpowers and in the control system that must be established if disarmament is to occur.

[Question] Is a Nordic nuclear-free zone feasible in the foreseeable future?

[Answer] This is no simple matter, but we must not give up on the idea. The submarine affair confirms the importance of including the Baltic Sea in such a zone.

[Question] How is it possible to reconcile the idea of a nuclear-free Baltic Sea with the Soviet demand for free access to the Baltic Sea for ships with nuclear warheads on the way to and from naval shipyards?

[Answer] This is a problem that must be overcome if the Baltic Sea is to be included. The same is true of Norway's and Denmark's nuclear options during times of war.

[Question] Are there any indications that the Soviet Union is prepared to permit some of its territory to be included in a zone?

[Answer] I do not dare speculate. When it comes to the two superpowers, I believe that the discussions must be expanded to include Europe and the entire question of nuclear weapons so that the real problem that exists may be solved.

Politicians' Duty

Falldin believes that it is the duty of politicians to remind the public of the difficulties involved in setting up a nuclear-free zone in Scandinavia. At the same time, it would be wrong for the public not to make demands on their politicians to preserve life and peace, according to Falldin.

The prime minister denies categorically speculation abroad that Sweden is drifting away from its traditional neutrality. United States Vice-President George Bush indicated this during the submarine affair and others have stated that increased international tension, the enormous military power of the Soviet Union, and a weakened Swedish defense have forced us into a more cautious foreign policy stance, similar to that of Finland.

"Not More Cautious"

"Our conduct during the submarine affair was not guided by caution," Falldin stated. "On the contrary, we demonstrated resolve and consistency. We made demands on a superpower that were unusual for a small, independent nation to make."

"We acted in complete agreement with our security policy and recent events such as the submarine incident and the crisis in Poland give us no cause to change our policies. Many have said that our policies are important for stability in Scandinavia which, in turn, is of significance for all of Europe and East-West relations."

"There has long been a difference between Swedish and Finnish foreign policies and that difference exists today. Our security policies may be the same, but traditionally Sweden has been more active than Finland in making public statements

Active Foreign Policy

Observers feel that Thorbjorn Falldin has conducted a more active foreign policy this past year. During 1981 he visited China, three nations in Africa, and participated in the North-South summit meeting in Cancun, Mexico.

Falldin was asked if he is concentrating more on international politics than previously.

He answered that for a long time he has kept well informed on foreign policy issues and actively participated, "even though I have not spoken much about it at public meetings."

"The increased interdependence of nations is important to us all. This is a result of improved communications, technological advances, efforts on environmental issues, the global energy situation, and our knowledge of the dependence of the industrial nations on developments in the third world."

The prime minister returned to the increasing risk of the proliferation of nuclear weapons, which he sees as a new challenge in the realm of nuclear power. In the United States the possibility is being discussed of using spent fuel from nuclear power plants to produce nuclear warheads faster and cheaper by a new process.

"The sum total of these circumstances worries me," Falldin said in typical Falldinian wording.

He arrived in Bromma the day before the day before the day before. It has been an autumn of increasing international tension. He traveled home to Ramvik with heavy reports and crises in his luggage, crises that are advancing threateningly close to Sweden.

"I Was Informed First"

"I was the first member of the government to find out about the submarine in the Blekinge archipelago," Prime Minister Falldin said, thereby denying reports that the commander in chief had informed the Foreign Ministry and Foreign Minister Ullsten first.

Falldin was reluctant to comment to SVENSKA DAGBLADET on press reports indicating that Ullsten was in charge during the submarine affair.

"I immediately began efforts to discover what measures could be taken and made sure that all ministries and authorities involved began working and cooperating," Falldin said.

He added that the foreign minister indeed had handled diplomatic negotiations with the Russians. This does not mean, however, that departmental ministers act on their own initiative, except in completely clear cases, according to Falldin.

The weekend after the submarine went aground, Falldin traveled to Ramvik. However, the critical development of the submarine crisis, including the discovery of uranium on board, forced him to shorten his visit and he returned to Stockholm in a military airplane which took off from Kramfors in a

violent snowstorm around 6 o'clock Monday morning.

The prime minister stressed the close cooperation between the government leaders Palme and Adelson during the submarine affair. Ullsten provided them with some information, but Falldin made clear in his discription of the 9-day crisis that he and no one else was in charge of the government's work.

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CSO: 3109/86

GOVERNMENT PARTIES AGREE TO COORDINATE ELECTION CAMPAIGN

Stockholm SVENSKA DAGBLADET in Swedish 29 Dec 81 p 6

[Article by Elisabeth Crona]

[Text] The Center Party and the Liberal Party are facing the elections together. The parties have decided not to quarrel during the election campaign and to coordinate their positions on important political election issues.

"So far we have discussed this strategy in principle," Liberal Party secretary Lars Leijonborg told SVENSKA DAGBLADET, "but we have not discussed details."

"We have agreed to close cooperation, but this cooperation will not lead to unification of the parties."

The Center Party and the Liberal Party have not worked together so intimately since the days of the middle-party program. The parties are committed to joint government responsibility--the first middle-party government.

"It is a kind of administrative peace between us," Leijonborg explained. "The first middle-party government will give the election campaign a somewhat different character."

"Norwegian Threat"

The great threat to the middle parties is a Norwegian election campaign that is being conducted over the head of the middle-party government, between the two large opposition parties--the Conservative Party and the Social Democrats.

"We fear that the Conservative Party and the Social Democrats will see that they have everything to gain from a vulgar debate--over the heads of the middle parties," Liberal Party members say.

"Three-Front War"

Center Party members believe there will be a three-front war: Social Democrats against Conservatives, Social Democrats against the government, and Conservatives against the government.

"It is going to be a rough election campaign," Center Party information director Sven-Erik Janason said. "The parties will raise their voices loudly to support their positions."

"The debate will be objective for the most part, but this will be ignored in the mass media. If the government speaks softly it is not certain that it can create interest in its policies."

Waiting for Adelsöhn

What do the government parties think of cooperation with the Conservative Party?

We believe people still hear most about the "hard-liners," i.e. Lars Tobisson and Georg Danell, the Liberals answer. If Adelsöhn takes a different position on cooperation, it is time for him to take a firmer stand within his party.

The Center Party also is awaiting with interest any action taken by the new Conservative Party leader at the beginning of the new year and wonders, for example, how severely he will criticize the new budget.

The middle parties are entering the election year with record low figures from Sifo (Swedish Institute for Public Opinion Polls) and the other opinion polls.

We still believe we can receive as many votes as in the last election, Center Party members say confidently.

Social Pathos

The Liberal Party, which in some opinion polls is fighting for its very existence in parliament, will enter the campaign with the idea that the party is needed: its campaign slogan will be something like "We need a nonsocialist but social party."

Thus, the party will mix free-market economy with social pathos and sympathy. The first aspect will be symbolized by the battle against employee funds and the second by the tax reform.

It is hoped that the criticism from the Conservative Party will die down and that the tax reform, with its reduced marginal tax rates and limited deductions, will receive more widespread approval. Time is in our favor,

the middle parties believe. When people sit down with pen in hand, they will see that the criticism is exaggerated.

80 Years of Liberalism

The Liberal Party also is hoping for a boost in the campaign from the national convention and the 80th anniversary of Swedish liberalism.

"We will have occasion to point out which party is the true heir of liberal ideas and which parties have opposed these ideas," Lars Leijonborg said.

Of course, the Center Party also will campaign against employee funds: Thorbjorn Falldin certainly will resort to his voice of thunder, as he did before the previous election.

Center of Attention

The prime minister and Center Party will be the center of attention in the Center Party campaign, even though organizationally the campaign is being decentralized more and more.

Falldin will be promoted just as vigorously as last time, according to insiders at Center Party headquarters, where there is still concern over the "bull" that is being said about the party leader.

"We see now that it is starting up again," Sven-Erik Jansson said. "We see it, for example, in letters to the editor and in articles by popular columnists. We must do something about this."

For example?

"One way is to make him more visible. It is also important to make people realize that there are certain forces with a clear interest in presenting Falldin in a negative light."

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GOVERNMENT PARTIES AGREE TO OPPOSE 'FUND' IN CAMPAIGN

Stockholm SVENSKA DAGBLADET in Swedish 18 Dec 81 p 21

[Article by Claes-Goran Kjellander]

[Text] The middle parties have put their fund proposal in moth balls and their election strategy on the fund issue will be "no to collective employee funds."

A statement from the central leadership of the Liberal Party proposes that the national convention--the party's highest policy-making organ--should state that a public savings program is not an issue of current interest.

The Center Party is also uninterested in such a public savings program as an alternative to employee funds.

During the final stage of work of the Employee Fund Commission the middle-party representatives, Bert Levin (Liberal Party) and Tage Sundqvist (Center Party), agreed on a proposal for a public savings program. That would guarantee a supply of risk-bearing capital for business while, at the same time, a fund would be established with individual shares.

Put Aside

Last fall the government considered presenting a proposal on the fund issue. When it became clear that the Conservative Party would not support obligatory savings, even in a final vote, the government put the issue aside.

Now the government is going a step further. The Liberal Party is writing off the public savings program--it is not a current issue.

The Center Party is proceeding more cautiously and the internal debate on the fund issue will continue.

Early next year the party will publish a topical book by Roland Pettersson and various party organs with union affiliations also will discuss various

alternative ownership forms. Cooperative ownership is an extremely interesting alternative for the Center Party.

Of political interest today, however, is that during the election campaign the middle parties intend to oppose the Social Democratic proposal for collective employee funds. Thus, the government parties are not attempting to sell the third alternative, which was represented by the middle-party line in the Employee Fund Commission.

A prominent Liberal Party member told SVENSKA DAGBLADET that the need for a public savings program no longer exists and that this was the main reason for the recommendation of the party leadership.

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PAPER COMMENTS ON NONSOCIALISTS' OPPOSITION TO 'FUND'

Stockholm SVENSKA DAGBLADET in Swedish 18 Dec 81 p 2

[Article: "Middle Parties"]

[Text] The middle parties have made a satisfactory recovery in the fund issue.

At one time, when Carl Tham was in his heyday, the Liberal Party was close to the Social Democratic line. But Tham bit the dust and, since then, representatives of the Liberal Party and the Center Party in the government fund commission agreed on a proposal for a public savings program, i.e. an obligatory savings program.

When this proposal was presented, a state of euphoria broke out in government circles and in some newspapers close to them. The middle parties were about to present a proposal based on the recommendations of the two representatives. The most preposterous interpretations indicated that this would neutralize the efforts of the Social Democrats to create a fund.

Gradually the government parties came to realize that it would be ill-advised to present such a proposal.

According to what SVENSKA DAGBLADET has learned, the executive committee of the Liberal Party will state in its report to the national convention in February that the question of a public savings program is not of current interest and the Center Party again will follow in the footsteps of the Liberal Party.

This means that all three nonsocialist parties in parliament hold the same position on the fund issue, namely in favor of private, voluntary savings and ownership.

Now that the Center Party and the Liberal Party have regained their senses on this matter, we hope their recovery is permanent.

SWEDISH PEACE COMMITTEE: WAGE FIGHT ONLY AGAINST U.S.

Stockholm SVENSKA DAGBLADET in Swedish 3 Jan 82 p 9

[Article by Sune Olofson]

[Text] The Swedish Peace Committee is calling on the entire peace movement in Sweden to oppose the American arms buildup but to ignore the buildup in the Soviet Union.

This demand is contained in Swedish Peace Committee motions that will be made at the People's Parliament for Disarmament this January in Stockholm.

"The danger of a third world war comes only from the United States and its NATO allies," according to motion 20.

The purpose of the People's Parliament is to influence negotiators and decisions at the United Nations General Assembly's second extraordinary meeting on disarmament in New York in June and July 1982. The People's Parliament is attempting to draw up a joint peace proposal to present to the Swedish government's United Nations representatives.

In this connection the Swedish Peace Committee wants the People's Parliament to support a new direction in the peace effort, clearly indicating who is responsible for the threat to humanity."

Loyal to Moscow

The Swedish Peace Committee is a Swedish offshoot of the World Peace Council in Helsinki, which is controlled and financed by Moscow. The executive board of the Swedish Peace Committee is dominated by communists who are loyal to Moscow. Nearly half are APK (Communist Workers' Party) members and VPK (Left Party Communists) members who are loyal to the Soviet Union.

This causes concern for other organizations in the peace movement:

"The demands of the Swedish Peace Committee are not credible, since that

committee follows Soviet foreign policy to the letter," said Lars Angstrom of the Swedish Peace and Arbitration Association. "We do not see the Swedish Peace Committee as a genuine peace organization."

The chairman of the Swedish Peace Committee is Stellan Arvidsson (Social Democrat). He would not answer questions on the committee's links with the Soviet Union. APK leader Rolf Hagel and John Takman also are on the executive board.

The World Peace Council, based in Helsinki, is the largest and most successful Soviet front organization. It is linked directly to the Soviet communist party's "international section" which is led by central committee secretary Boris Ponomarev.

The World Peace Council employs 45 officials and has an annual budget of about 250 million kronor. It is supported by socialist countries, primarily the Soviet Union. Its presidium includes John Takman of the Swedish Peace Committee.

The World Peace Council includes 130 national peace committees, one of which is the Swedish Peace Committee.

In 1949 the World Peace Council established its headquarters in Paris. In 1951 the World Peace Council was ordered to leave France after being accused of "subversive activity."

Propaganda from the World Peace Council is dominated totally by criticism of the United States and the NATO nations. This policy is reflected in the motions made by the Swedish Peace Committee to the People's Parliament for Disarmament.

The rest of the peace movement fears that the credibility of the peace effort will be damaged if the Swedish Peace Committee becomes a dominant force.

"It is important to work for peace, but people should know the affiliations and ultimate goals of the various organizations," said Git Ahlberg, administrator and organizer of the People's Parliament.

She has requested a complete report on the funding of the World Peace Council, but so far she has received no answer.

Urban Karlsson is a VPK secretary and board member of the Swedish Peace Committee:

"According to our ideology, the United States is the headquarters of imperialism."

"Kremlin Wants Peace"

Although Urban Karlsson cannot imagine calling for unilateral peace initiatives, he demands this of the United States. He maintains that the American people may want peace, but not the Pentagon establishment.

"Both the Soviet people and the leaders in the Kremlin want peace," Urban Karlsson said.

John Takman maintains that the Swedish Peace Committee does not receive a single ore from the World Peace Council.

In Moscow the peace movement has become an effective weapon for communist propaganda. Controlling public opinion, especially in NATO countries, is high on the list of priorities.

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GREECE'S POLICY ON PLO RELATIONS HAILED

Nicosia TA NEA in Greek 29 Dec 81 p 5

[Article by Evaripidis Akritas: "First Results of Papandreu's Socialist Policy"]

[Text] The decision of the Greek government to upgrade to diplomatic status the PLO office here was accepted with American cautiousness, European satisfaction and strong Turkish concern. According to Papandreu this brave and historically momentous political decision will initiate the opening of Europe's gates to the Arab world.

Greece's support of the Palestinians' struggle against Israel's policy of genocide and usurpation of their country's lands has always been a given fact. In all cases, the Greek people and the policy of its leadership were on the side of the struggling Palestinian people at all levels and in all international forums.

Never before, however, have the governments of recent years dared--evidently for reasons of allied expediency--to promote and translate into specific political actions their moral and material support in the struggle for the self-determination of the Palestinian people under their indomitable leader Yassar Arafat--actions which could exercise any immediate influence and could contribute to formulating a more lucid and more responsible European policy toward the Arab people.

There is no doubt that President of the [Greek] Republic K. Karamanlis had inaugurated--when he was premier during the recent critical years of 1974-1978--a multidimensional foreign policy giving special importance to the closer ties with the Arab states at all levels--political, economic and cultural.

However, on the issue of recognizing or upgrading the Organization for the Liberation of the Palestinian People, the Karamanlis government and the recent Kallis government did not face with political courage and realism the Palestinian reality. Proof of this is that the establishment of a PLO office in Athens occurred "after the event"--that is, after the executioner of Cyprus, former premier of Turkey Ecevit and now a prisoner of the military junta, trying to exploit, as he imagined, for religious reasons the struggle of the Palestinians in order to promote the Turkish expansionist designs, recognized and allowed the establishment of a PLO office in Ankara.

The new socialist premier of Greece Papandreou brought about this reality with a courageous and decisive political action. Following his momentous talks with Arafat and his historic decisions, he inaugurated a policy of an open and courageous political and moral support on all international fronts of the Palestinians' struggle for their self-determination, for their own fatherland, for their own national, state and international entity. As Papandreou said, what was achieved was the establishing of closer brotherly ties between the movement of the Palestinians and the Greek people.

The reasons for this political and diplomatic pioneering step toward an absolute interdependence and identification between the Palestinians' struggle and the interests of the Arab nation and the struggle of the Cypriot people against the Turkish tyranny and the Greek people's liberation struggles from 1821 to our present and dramatic days--the reasons for all these are today dictated politically and economically.

First of all, the role Greece can play as an important factor of freedom, democracy and security in the area and as an equal member state of the European communities is dictated not only by geography and history but also by the identity of the national, defensive and political targets of Greece in the strategically sensitive area where the Arab states with their national visions, their unique economic independence in the world and their increased monolithism are today dominant.

The realistic and courageous stand the socialist Greece is taking on all issues closely related to the protection and safeguarding of the national sovereignty of the Arab countries, creates very favorable conditions for the Greek-Arab interests and opens up hopeful prospects for the future.

Further, this Greek policy underlines in the world and the European conscience the decision that the NATO member states should be faithful to their democratic principles and should be against every effort of the American world strategy to transform European lands into beachheads from whence to launch any form of aggression and military intervention against our friendly Arab countries.

On the basis of these unswerving moral and democratic principles, the new socialist government of A. Papandreou has rejected categorically such an expansion of NATO's jurisdictions and responsibilities in the Middle East and Persian Gulf areas. At the same time, such stand has contributed and is contributing substantial services to the Arab states and indirectly protects--naturally within the framework of the limited Greek possibilities--their national and territorial integrity from any NATO or other intervention.

It is exactly in this framework of the multidimensional and realistic foreign policy that one places the historic arrangements Papandreou made with Arafat not only as the leader of the Palestinian movement but also as the spokesman of the Arab nation which is fighting international Zionism. The collective assurance given to Arafat by the embassies of the Arab states in Athens that they are studying ways to reciprocate the services Greece renders today to the Arab nation with its pro-Arab policy proves that Greece today follows the right path and contributes decisively not only in consolidating peace and security in the area and by extension world peace.

On the basis of these Greek-Arab developments the Turkish fears and concerns are justified--the fear, that is, that in a short while Ankara will find itself face to face with the Arab countries which together with Arafat have recognized Greece's undefeatable sovereign rights in the Aegean, the urgent need to remove all foreign troops from Cyprus and to restore the sovereign and territorial rights of an independent and nonaligned Cypriot state.

It is time for Saudi Arabia which wants Greece's friendship and moral and political support for a just solution of the Middle East problem to stop supporting with its stand in the UN the Turkish expansionist aims in Cyprus.

The nonexistent religious and racial arguments Ankara invokes in asking Arab support of its criminal plans in the eastern Mediterranean should cease to weigh on the national conscience of Saudi Arabia and a few other Muslim states which--while asking for Greece's close friendship and cooperation--by their negative stand in each voting on the Cypriot appeals in the UN are taking the side of the Turkish invader.

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CSO: 4621/150

GOVERNMENT URGED TO EXPEL RADICAL ARAB PERIODICAL

Islam-Financed Institute

Nicosia I SIMERINI in Greek 30 Dec 81 p 8

/Text/ An Economic and Banking Affairs Institute has been established in the occupied area with grants by Arab countries and especially Saudi Arabia.

The institute is expected to start operating in May 1982. According to a report by correspondent Resat Akar published in the Turkish newspaper GUNAYDIN, the institute's director has already been appointed and 100 students from 42 Islamic countries are expected to attend during the first year of its operation. A center will be built which will house the institute.

Institute director Mehmet Barut said in an announcement that the Turkish-Cypriot economy will be greatly strengthened by this development and added that organizations and enterprises in occupied areas will be able to receive credits for their investment activities.

Two million dollars will be spent annually for the institute's maintenance.

Relations With Egypt, Saudi Arabia

Nicosia I SIMERINI in Greek 29 Dec 81 p 3

/Text/ Recently it has been broadly known and admitted that the periodical AL OFOD, published in Arabic, has its headquarters in Nicosia. It is published by a Cypriot and circulates in the Arab world. Its articles are constantly directed against the countries which moderately favor the Palestinian question and especially against Saudi Arabia and Egypt. The use of Cypriot soil for attacking and journalistically defaming foreign governments is incompatible with journalistic customs and the good neighbor principles. We are wondering why the Cypriot government allows such a thing. Saudi Arabia and Egypt justifiably interpret it as hostile action and they are forced to maintain a corresponding attitude toward us. The Cypriot common opinion should know that Saudi Arabia refused to allow the establishment on its soil of an office for serving the thousands of Cypriot workers in that country. As a matter of fact, it bluntly rejected the Cypriot government's request for such an office. Cyprus could have many economic and political benefits if it were more careful in its relations with Saudi Arabia.

And Cyprus could improve these relations in a way that could not come out a loser in other areas. We expect that the Kyprianou government will deal with this issue seriously and that it will decide to inaugurate a new era in these bilateral relations.

But the use of Nicosia as headquarters of the aforementioned periodical adversely influences the restoration of our relations with Egypt. As is known, the relations with this traditional friendly country of the Nile were interrupted by the 1979 events at the Larnaca airport. We have been told since then that efforts are being exerted to heal the wounds and return to the healthy bi-statal relations. We cannot believe, however, that the government is sincere about such efforts the moment it allows the propaganda of intransigent Arabs to use the soil of the republic for profuse attacks against Egypt. Moreover, President Kyprianou has stated very recently that the quarrel concerned Sadat personally and not Egypt. One then would expect that after Sadat's tragic death nothing would stop the restoration of our relations. And yet they remain as stagnant as ever. It is time that the president himself as well as the other authorities give some explanations.

Present Policy Disadvantages

Nicosia I SIMERINI in Greek 31 Dec 81 p 3

/Text/ This column has pointed out that our carelessness in the relations with Saudi Arabia has had an adverse economic and political impact on Cyprus. Recent reports confirm that we are right. According to them Saudi Arabia is the greatest source of finance for the Economics Institute which was established in the occupied area and will go into operation in May. Besides its economic importance, the institute will also be of political importance for the invasion regime since students from the Arab and the Islamic world in general will be attending. We do not know how the Kyprianou government intends to cope with the dangers the establishment of the institute entails. We, however, believe that the most effective way would be to improve our relations with Saudi Arabia. And this can be accomplished by removing the causes which make Saudi Arabia hostile toward us. And the major cause is that we allow the propaganda of intransigent Arabs to operate undisturbedly right on Cypriot soil against Saudi Arabia and other moderate Arab states.

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CSO: 4621/150

PROBLEMS OF INTEGRATING FOREIGN WORKERS, REFUGEES EXAMINED

Hamburg DIE ZEIT in German 1 Jan 82 p 3

[Article by Hans Schueler: "Fear of Strangers -- Hostility Toward Foreigners Is Increasing at a Threatening Pace in the Federal Republic"]

[Text] Over the past 3 years the number of guest workers and refugees has increased by 650,000. Have we reached the limits of our ability to absorb them -- and of our tolerance?

A specter is at large in the Federal Republic: fear of foreignization and overcrowding. All of a sudden everyone is saying that we could be overrun by the foreign guest workers and their families, by false candidates for refuge -- and probably real ones as well -- and that we could be overwhelmed in our own country. Even the government seems to have been gripped by panic: It made this announcement on 12 November in a cabinet resolution:

"The Federal Republic of Germany is not an immigration country." An opposition motion on the resolution, formulated by Alfred Dregger and Peter Lorenz and engineered by CSU Deputy Carl-Dietrich Spranger, says it even more clearly: We are "a national unitary state," even though only as part of a divided nation. But for this very reason, "all legally and humanly acceptable means" must be used to prevent our becoming a multi-ethnic state.

Have the Germans and their politicians just come to realize that more than 4.5 million foreigners are living among them -- approximately 7 percent of the total population? This can hardly come as a surprise to them, for in the 1950's and 1960's they either brought in or let in the foreigners -- except for the refugees. They welcomed and encouraged the relocation of wives and children as an opportunity to integrate the guest workers -- at least until the recruiting effort was halted in 1973. The FRG has been an immigration country for at least 20 years -- at least, it has acted as though it were.

There is virtually no rational explanation for the mood shift, unless it would be the fact that Germans are meanwhile competing with foreigners for jobs that just a few years ago were not good enough for the natives. In the interim, a threshold of tolerance appears to have been reached, one that may not be overstepped without turning the former "utility mentality" toward foreigners into hatred of them. One probably should not be surprised about that in Germany. The wave of antipathy

toward foreigners carries with it an abundance of unsavory aspects, ranging from awful Turkish jokes to bars that are off limits to foreigners, to spray-painted graffiti on the edges of guest worker ghettos in large West German cities. But there is also uneasiness unaccompanied by aggressiveness: For instance, the case of the upstanding upper-middle-class hausfrau who, while tying up a package for destitute Poland, complains to her husband about their having to keep on living in their old apartment house; now the first Turks have already moved in on the ground floor.

Brutal Reaction

Everything was quite different a year or a year and a half ago. The media and the politicians were outdoing one another with their public sympathy for the boat people, for the Vietnam refugees who had been fished out of the China Sea. The minister-presidents of the Laender engaged in genuine competition to see who could get how many. Meanwhile, even the Vietnamese are being referred to only as "contingency refugees."

With the same teletype message in which the federal government stressed that we are not an "immigration country," it informed the Laender it had "noted that ultimately only four Laender (Berlin, Bremen, Lower Saxony and North Rhine-Westphalia) have declared their willingness to accept their share of refugees from Indochina." At issue were 377 shipwrecked people on board the Cap Anamur, a German rescue vessel. Bernhard Vogel, minister-president of the Rhineland-Palatinate and, until fairly recently, president of the Central Committee of German Catholics, wanted to let them enter only if the private rescuers promised beforehand not to have their ship leave port without permission from the federal government.

The "contingency refugees" — people who are saved from destitution or distress and admitted to our country (before the Vietnamese there were several thousand Chileans who had been persecuted by the Pinochet regime) — constitute an insignificant part of the immigration statistics. Their share of the FRG's foreign resident population amounts to less than 0.5 percent — 0.03 percent of the total population. It nonetheless appears that the reaction to them is particularly sensitive and also particularly brutal: The first attacks by German rightist extremists were directed at a home for refugees in Loerrach and a shelter for Vietnamese refugees in Hamburg; there were fatalities.

No one can deny any longer that foreigners in the FRG have become a nuisance, not because they live here but because they are not Germans, because they think differently than we do, because many of them have skin of a different color — and perhaps also because, although most of them want to stay here, they want to keep to themselves.

Should they not be allowed to do so? The question is a troublesome one. In the FRG there are Moslem schools in which Turkish children are being educated in a manner contrary to every principle of democracy and life in an open society. A democratic state really cannot put up with this, but should it not stand up for cultural autonomy, as the Hungarian kings had done with the Transylvanian Saxons?

The Central Committee of German Catholics waited until the middle of December to express its views "on the educational and life situation of foreign children and

youth" in the FRG: It is calling for German and foreign children to be educated together. But on the "burning question" of whether Catholic schools and nursery schools should also admit children of the Moslem faith, the Catholics concede that here "there is an objective conflict between the religious mission and the social obligation, a conflict that must be taken seriously." In any event, when Moslem children are admitted, a certain number may not be exceeded and "the Catholic imprint on education may not be lost."

The first two decades of guest worker employment in West Germany show traces of a modern, constitutionally sugar-coated exploitation. The "guests" of course did not arrive in chains locked in dungeons below the decks. Having been recruited, they came voluntarily — because they had no prospects at home. Vast numbers of them came only after the building of the Berlin Wall had halted the inner-German migration. But no one considered them immigrants, destined to remain here. Like the majority of the German people, the government believed only that the foreigners were coming for a visit, that they would turn around and go home once they had produced a return on their labor and had put away something for themselves to enjoy in later years in their homelands.

At first this expectation even seemed to prove halfway true. The guest workers reacted to the economic situation. Half a million of them left the country during the first postwar recession. Today, growing unemployment figures in the FRG eliminate any mention of a deterrent effect or any trend toward return migration at all. In the last 3 years alone, the foreign population grew by 650,000 people to a total of 4.63 million — mainly as the result of family relocations and of a dramatic rise in the flow of persons seeking refugee status.

Under a resolution passed by the Conference of Interior Ministers of the Laender in 1965, spouses and minor children of wage earners from non-EC states were authorized until recently to relocate and join the head of household if the wage earner had been in the FRG for 3 years (only 1 year in the case of workers from the so-called recruitment states), if no time limit had been placed on his employment and if he had suitable housing. This generous arrangement has contributed to a situation wherein today one ethnic group — of approximately 1.5 million people — dominates the statistics on foreigners, a group which, unlike the groups of Yugoslavs, Italians and Spaniards that used to be the largest, shows little willingness to become integrated, and one whose tendency to ever-increasing numbers is especially pronounced: the Turks.

They have developed the art of family relocation to perfection, now taking in the second generation: Under the existing arrangement, even the children of guest workers have been able to bring their wives to the FRG if they married in Turkey. This alone produced an annual increase of 30,000 people. Moreover, in Turkey it is relatively easy to come by family papers that can be used to identify even distant relatives as one's children. It is also possible there to alter a birth certificate to represent a child as being 2 to 3 years younger than he is, a circumstance that establishes grounds for a claim to 2 extra years of the child-support allowance in the FRG.

The relocation of the family was originally intended as an element of a liberal policy on foreigners that promoted integration. This good intention proved to be a

failure, at least with respect to the Turkish ethnic group. Meanwhile, experts in the Bonn parties, and also in the major cities with their guest worker ghettos, say quite frankly: "The problem of foreigners in the FRG is above all a problem involving Turks."

The Turks do in fact constitute nearly 40 percent of the 209,000 unemployed guest workers. A view of the employment level for foreigners living here reveals an even more gloomy picture: In the 1960's, and even the early 1970's, approximately 70 percent of them were working. Today, 60 out of every 100 people (family members and the bona fide unemployed) live off the income of the remaining 40 percent or off social assistance from the government. But only a third of the Turks living in the FRG go to work. It is no wonder, since far more than half of all the immigrants in recent years have come from Turkey, predominantly women and children. A total of 922,460 Turkish children (two-thirds of them living here, one-third living abroad) draw child-support allowances from the state treasury (a comparison with the Yugoslavs, the second-largest group of foreigners: 304,395 children, scarcely half of whom live here).

The federal government has had a projection prepared indicating the anticipated increase in foreign population over the next 20 years in case the existing arrangement covering the relocation of families remains in effect. The result is an increase of approximately 2.4 million by the year 2000. The number of foreigners in the total population would then amount to about 7 million.

It is obvious that in a country already so densely populated, all efforts at integration would have to fail if present rates of growth were to continue. The labor market situation, which defies any certain predictions, does not even play the crucial role here. More fundamental is the threshold of tolerance among our own people. No responsible policy on foreigners can afford to go too far beyond this threshold if an explosive social situation is to be avoided.

Still, the agitation of the Germans concerning their foreigners would scarcely be conceivable without the many and varied problems generated everywhere in recent years by the refugee glut. Under Article 16 of the Basic Law, in principle there are no restrictions on admission for the politically persecuted: They "enjoy the right of asylum." The fathers of the constitution, among whom there were more than a few who had been persecuted by the National Socialists, had worded the article with the fate of German emigres during the Hitler period in mind; they had not thought in terms of numbers.

Even when the Law on Foreigners established in the mid-1960's the procedure for admission with all its guarantees of due process, figures were still virtually unimportant. At that time, about 5,000 refugees a year were coming to the FRG in search of a new homeland. They were easy to assimilate. Since the early 1970's, however, the river of those seeking refuge has swollen rapidly; from 1973 on, it began to overflow its banks. There were already 33,000 applicants; in 1980, there were as many as 108,000. Even though there had been an increase in the number of countries in the world being ruled by dictators, this alone could not explain the throng. Rather, the word had been passed around from Pakistan to Turkey that liberal legislation on asylum was in effect in the Federal Republic — already a land of milk and honey. Even someone who were to make his way through all levels of

Applications for Refugee Status 1976-1980

	Applications	for	Persons
1976	8,854		11,123
1977	13,859		16,410
1978	28,223		33,136
1979	41,953		51,493
1980	92,918		107,818

Foreigners in the FRG

Total	4,630,000
Turks	1,546,311
Yugoslavs	637,313
Italians	624,505
Total number employed	2,015,593
Including:	
Turks	588,012
Yugoslavs	348,874
Italians	308,365

Principal Native Countries of Refugee Applicants in 1981

		(1980)
Turkey	4,973	(53,058)
Poland	4,697	(1,342)
Pakistan	3,227	(5,606)
Afghanistan	2,693	(4,569)
Sri Lanka	2,353	(2,313)
Ghana	2,314	(2,148)
India	2,179	(5,723)
CSSR	1,645	(1,796)

government and the courts without being accorded final recognition as a politically persecuted person could count on a residence period — and an opportunity for earnings — lasting between 5 and 7 years. This was enough for a start and enough to be able to feed himself and his family at home better than ever during his stay.

Over the last 3 years the federal government and the parliament, as the legislative body, have taken effective steps to stem the influx of candidates for refugee status:

Two amendments to the law governing asylum reduced legal protection and thus the length of stay for "bogus" applicants for asylum. They can now count on only 2, or a maximum of 3, years residence in the host country. All the same, the backlog of cases pending before the administrative courts still amounted to 60,000 at the end of 1981;

Since the middle of 1980, applicants for asylum have been prohibited from accepting employment for 1 year after submitting their application; they now have to wait for 2 years. During this time they receive social assistance — insofar as possible not in the form of money, but in food, clothing, etc; at refugee centers, sometimes in social housing that was built for Germans, and sometimes in expensive hotel rooms as well;

The FRG reintroduced for a number of countries the visa requirement that had been eliminated earlier. Politically persecuted individuals from Afghanistan, Ethiopia, Ghana, Bangladesh, India, Sri Lanka and Turkey have since been permitted to enter the country only if their own regime will issue them a passport.

It does not require much imagination to recognize the inconsistencies among all these measures. It is true that they are effective (only half as many applicants for asylum appeared in 1981 as in 1980) but at the cost of justice for the truly persecuted (above all by virtue of the visa requirement). They also exacerbate the social conflicts between Germans and the foreigners who are seeking refugee status, and they carry these conflicts over to all unemployed guest workers. For who can distinguish between a foreigner who is prohibited from working and one who does not want to work, and one who cannot work because — like his equally affected German colleague — he cannot get a job?

Confusing Term

And the measures directed against those seeking asylum are just as inimical to integration as those pertaining to guest workers. If an applicant for asylum is prohibited from working for 2 years and allowed to live a parasitic existence — in the eyes of his host nation — in the end it makes no difference to his self-esteem whether he is accepted or rejected. If we hound young Turks out of the city — as Berlin Internal Affairs Senator Heinrich Lummer wanted to do — because they have not already lived here for at least 5 years, and because they cannot provide proof of regular employment or status as a regular student on their 18th birthday, then we have done nothing for the assimilation of those who wish to stay and to whom even German citizenship will someday be offered.

The term "economic refugee" — no matter how popular it seems — has contributed substantially to the confusion. It was coined in reference to the applicants for asylum who have been arriving en masse in recent years. But there has never been any agreement as to who was covered by the term: For example, refugees from East bloc countries have always been privileged; they have received residence and work permits even if unable to prove political persecution. This applied most recently to many thousands of Poles who were able to leave the country at their discretion prior to the imposition of martial law, or who even managed as tourists to seek permanent residence in the FRG. Those who are arriving now are probably real political refugees; most of those who came earlier were not.

This much has to be said. A country that intends to be liberal in the granting of asylum must not permit its criteria to depend upon the mood of its citizens or its politicians at a given moment. It must strive for a fair distribution if it cannot take in everyone.

The reaction from those in responsible positions in such a situation has thus far been more inclined to be weak and whiny, certainly not one that would point the way. This applies to the Poles no less than to the boat people. For of course the majority of the Vietnamese have been economic refugees. We should have no illusions about this. Above all, we should not invent any new terms to salve our consciences, but develop a program to cope with our real problem — the guest worker.

Perhaps the following standard might recommend itself. First: The FRG is not a supply country for Turkey. It is not up to us to solve the problems of the military dictatorship there regarding immigration quotas for wives and children. Second: The FRG, however, will continue to be an immigration country because it has already been one for 25 years. This does not mean approval of a continued, unlimited influx of foreigners, but it does mean a readiness to assimilate people whose language and thinking are foreign to us, as Central Europeans have always done from the time of their recorded history.

7458

CSO: 3103/219

APPOINTMENTS, DISMISSALS AT RADIO, TELEVISION

Athens I AVGI in Greek 14 Jan 82 pp 1,6

[Text] An analysis of the situation regarding appointments and dismissals at ERT [Greek Radio and Television] made by the PASOK government was made public yesterday. The following appointments were made:

Mr. G. Romaos, director general, for a three-year term at a monthly salary of 97,000 drachmas plus 50,000 for representation expenses and,

The assistant to the director general, Mr. V. Vasilikos, for a three-year term and a monthly salary of 85,000 plus 20,000 for representation expenses.

Work contracts for the duration of two months have been signed with:

Nikolaos Alevras, as director of Television with a monthly salary of 95,000.

Iakovos Kambanellis as director of Radio with a monthly salary of 95,000.

Dimitrios Katsimis as News and Information director with a monthly salary of 88,000.

Per. Papakhristou, for the reorganization of the security system of the ERT buildings with a monthly salary of 40,000.

It has been decided to sign work contracts with the above-mentioned. For an indefinite time with Mr. Katsimis and a definite time with Messrs. Alevras and Kambanellis.

The monthly income of the former ERT director general, Mr. Khondros was 75,000 plus 25,000 for representation expenses and that of the former assistant to the director general, Mr. Stefanakis, 60,000 plus 15,000 for representation expenses.

At the same time the following were terminated:

Mr. Spiliotis Kharamis, director of Television; Mr. Kostis Leivadeas, official; Mr. Tasos Lignadis, special counsel on program matters; journalist G. Tsioutsias; journalist I. Pevkianakis; and production director, Anna Moraitou.

Journalists I. Gollias, Th. Karvounis, M. Dafnis, K. Psykhoyos resigned, while the resignation of Petros Loverdos is pending. K. Kangellaris retired due to having

reached age limit, and the contract of St. Papaioannou has been unilaterally cancelled because of his unexcused absence.

On 20 October there were 120 special and above staff requirements employees at work in ERT, 96 of whom had been hired in 1981.

9731

CS0:4621/141

RELIGIOUS' RECOURSE TO STATE SEEN JUSTIFIED

Athens I KATHIMERINI in Greek 14 Jan 82 p 10

[Text] As is known, a small group of parish priests in the Athens area has requested the Ministry of Justice's assistance in resolving a serious problem which troubles their order. This problem involves the deletion of article 1364 of the Civil Code, which prohibits the marriage of clerics as a rule after ordination, of course.

The first impression gathered from this action by the clerics is that it is inappropriate and anti-canonical. In other words, that the State has no business in such matters and that it surely does not have the power to find the solution they seek. In addition, they can be accused of turning to a worldly power--to "Caesar," as referred to in ecclesiastical terms--with a clearly internal church matter, with the consequence of severe sanctions, in accordance with Canon Law. These strong reactions were heard as soon as the action taken by the priests became known and, in addition, they portrayed the priests unfavorably and contained biased conclusions.

We do not positively know who the parish priests are who signed the request, even if this action involves only the State and not the Church. Thus, not knowing the individuals, we can devote ourselves without prejudice to study the situation.

It is our opinion that the action and effort of the clerics is absolutely right. The case of those priests who are forced into celibacy because they have no other alternative is tragic. We are not talking here about clerics who belong to the monastic or celibate clergy--those who chose this condition, either out of zeal, or with a view towards promotion and advancement to hierarchical office--but of the married priests who had the misfortune of losing their wives and especially when they are left with three, four and sometimes five children.

These unfortunate clergymen, deacons or priests, cannot remarry. Decisions of the local and the Ecumenical Synod prohibit the remarriage of clergymen.

In the past, many efforts were made to lift this ban, which many distinguished Canon Law experts consider is not part of the dogma. It is impossible to cover the matter in depth in our report as this subject is very vast. Nor is easy to cite the opinions of the Church's hierarchy, such as Ieremias III, Nikodimos of Milas, Khrysanthos of Athens, and others who, very realistically, see the need for exceptions. The Treasury of the Church can move in this instance and really solve

the problem and thus save hundreds of priests from the anguish they are going through. Let us not confuse the issue with numbers. Even a single priest is sufficient for the Church to care. Instead of referring to all of these opinions, we shall refer to one, that of the great Athinagoras, who told us in a interview in March 1962, "I have clearly stated that I am in favor of the marriage of clergymen, even after ordination. Ordination is not an obstacle to marriage. We would have many priests, graduates of theological schools, if they knew that they could marry when they find the right person and not in a hurry because formality demands it. At a Church-laity conference of the Archbishopric of America we had arrived at a decision and I would have solved the problem had I not been called here." Unfortunately, he was not able, even as Ecumenical Patriarch, to solve it because other circumstances and other problems did not permit him to do so.

This statement by Patriarch Athinagoras though, permits, within limits, to local Churches to solve this serious problem which "makes heavy the yoke of those in the priesthood."

As regards the other side, where the priests appealed to the State, we should not shortchange them. The article of the Civil Code must actually be eliminated. Let there not be this obstacle and the excuse of those who say, "it is the law." If by any chance the clergymen who made the request are accused of appealing to the State, we can only characterize this as ridiculous, since, recently high-placed members of the hierarchy have been discussing Church matters and problems of the Church with the leadership of the nation.

We suggest to both the Church and the State that the subject of the marriage of clergymen after ordination is a very serious and important one. Its solution demands boldness. Is there any?

9731

CSO: 4621/141

GENERAL

GREECE

STATE AUDIT OF CHURCH FINANCES

Athens TO VIMA in Greek 14 Jan 82 p 1

[Excerpt] An audit of the financial administration of the ecclesiastical provinces is going to be performed, according to a joint resolution signed by ministers of National Education and Religions and of Finance, Messrs. El. Veryvakis and E. Drettakis, respectively.

In essence, the confidential resolution issued by the Auditing Service of Public Enterprises and Legal Entities of Public Law, determined the following:

The inspectors of the service were assigned to the audit.

The audit will cover a period beginning with the last inspection to the start of the implementation of the present joint resolution.

The above will also cover the ecclesiastical provinces of the Church in Crete.

The financial audit will cover the administration of the charitable institutions of the ecclesiastical provinces as long as they do not have separate legal foundation, in other words, they are not legal entities of private law. In the eventuality that they are legal entities of private law, but are subsidized by State funds, then their administration will also be audited.

The audit will cover churches and monasteries which are legal entities of public law and are administratively subject to the various ecclesiastical provinces as long as their financial operation exceeds one million drachmas, unless other reasons, which may eventually result from the audit of the ecclesiastical provinces, may dictate the necessity to extend the audit to churches and monasteries whose financial operations are below one million drachmas.

9731

CSO: 4621/141

POLL RESULTS: GREEK OPTIMISM

Athens I AVGI in Greek 14 Jan 82 p 6

[Text] The Greeks appear "over-optimistic" with regard to the forecasts for the new year, as compared with the other nations of the EEC. The forecasts are formulated within the framework of the "Euro-barometer" which is taken twice a year in the ten countries of the EEC by Gallup International.

Thus, 72 per cent of the Greeks believe that 1982 will be better than 1981 as compared to 32 per cent of the French; 30 per cent of the British; 25 per cent of the Italians; 13 per cent of the Germans; 5 per cent of the Belgians, etc.

To another question about whether the number of unemployed will increase or decrease, 47 per cent of the Greeks believe that it will decrease (only 15 per cent believe that it will increase) in contrast with all other Europeans, who foresee an increase in unemployment.

The Greeks appear to be optimistic about the question of whether strikes and social clashes will increase or decrease. Thus, 51 per cent of those questioned foresee that strikes will decrease (only 10 per cent foresee an increase in strikes) while, 67 per cent of the Belgians; 53 per cent of the Italians and 55 per cent of the Dutch foresee an increase in social clashes and strikes.

The poll was taken in Greece by 36 researchers of ICAP on behalf of Gallup International on an all-Greece scale.

9731

CSO: 4621/141

OZYORUK COMMENTS ON NEED FOR 'STAYING JUDGEMENT'

Istanbul TERCUMAN in Turkish 19 Nov 81 p 6

[Text] We learn from newspapers that four law proposals pertaining to long overdue reorganization in administrative law may become law in days to come following approval by the council. Reportedly, these proposals concern (1) the establishment of regional administrative courts, (2) the structure of the Council of State, (3) general procedures of administrative law and (4) the abolition of the Military High Court of Administration. In its very synoptic treatment of this news item, the press gives particular attention to the matter of "staying judgement" which became the most controversial issue of the last few years. It is stated that staying judgement may be used as a means of blocking decisions by individual ministers but not in the case of tripartite (joint) decisions or decisions reached by the Council of Ministers. If this is indeed the case, it means that decisions reached by single authorities such as general directors, provincial governors and governors of districts will be subject to staying of judgement as ordered by the courts. Let me repeat that all we know about this matter is derived from news items and common knowledge.

It will be remembered that we have addressed various issues of our administrative law and in that context the issue of staying judgement within this column. We did this on perhaps three separate occasions before 12 September (1980) as well as on repeated occasions following this date. "Staying Judgement" has truly constituted one of the most important unresolved issues of Turkish jurisprudence. If "staying judgement" does not evolve into an institution that is based on organic criteria which strictly define the cases in which it may or may not be used, it will do more harm than good. New complications will emerge, and soon there would be a need for reorganization.

It is normal that legal authority over the administration be constrained by organic and formal criteria during a transition period. Even in long term democratic regimes, it is not unusual to see theoretical and practical mechanisms which are based on the concept of separation of powers and which ensure that the judiciary function does not interfere in the operation of the executive and legislative functions. In this column, we emphasized organizational formats that are compatible with the concept of a state based on law. We have done this prior to and after 12 September (1980). We do not think that it will be possible to readdress such issues once current proposals are formalized by law and a return to democracy takes place. For that reason, today's proposals must be formulated in a way that will preserve their validity many years from now.

Staying judgement has become a truly controversial issue and has been abused in a way that should never be condoned. However, it is not a power that should not be exercised even on the rarest of occasions. What is needed is a reform of this institution and the adoption of precautions that will prevent the institution from slipping back to its former state.

If what we are hearing about the adoption of new criteria is true, decisions by the Council of Ministers as well as joint decisions will be deemed important enough to be exempted from the practice of staying judgement. However, even these criteria may not provide the desired result. Decisions by a single minister, provincial governor or district governor might, particularly in border regions, contain or generate legal or factual implications that bear vital relevance to the existence of the state. If not properly formulated, the concept of staying judgement may become overused and damaged because the instances in which it may be called upon will not be readily comparable to some standard that has been established and codified by the TSE. (Turkish Institute of Standards) I wish to draw particular attention to the following point. In the case of the examples provided earlier, any lawsuit seeking a stay of judgement would be filed in one of the regional administrative courts. In what constitutes a very serious omission, none of the judges who sit on the High Court have been assigned to the administrative courts. In France regional administrative courts had to be restrained by the French Council of State during the first years of their existence because they had demonstrated an excessive inclination towards the practice of staying judgement.

GENERAL

TURKEY

RESTRAINTS PUT ON COUNCIL OF STATE'S LEGAL SCOPE

Istanbul HURRIYET in Turkish 15 Nov 81 p 3

[Text] Law proposals which will bring deep rooted changes to the system of administrative law, reduce the legal scope of the Council of State and provide for the establishment of regional courts have been prepared. According to five separate law proposals which are expected to bring change to the system of administrative law, regional administrative courts are to be formed across the country and the Supreme Court of Military Appeals is to be abolished.

Until now, no lower level administrative courts have existed in Turkey. The new law proposals are to combine the jurisdictions of lower level courts that remain outside the jurisdiction of the Council of State through the formation of regional administrative courts.

Accordingly, regional administrative courts will be organized into two sections. Regional administrative courts within the first section will address all legal issues that come under the jurisdiction of tax courts. Regional administrative courts within the second section will consider cases that fall outside the scope of administration.

The number of judges who will sit on cases being heard in tax courts has also been determined. In matters of minor significance, a single judge will preside and reach a decision. A court consisting of three judges will consider more important issues. The Council of State will remain as the highest administrative court.

As the court with primary jurisdiction, the Council of State will have legal authority to deal with matters arising from decisions by the Council of Ministers, decisions by Turkish foreign missions and joint decisions. This latest reorganization brings new dimensions to the system of administrative law and may be considered as a move to reform

the system. The implementation of the reorganization will be based on five separate law proposals which may be listed as follows:

- (1) The law proposal for the establishment of regional administrative courts,
- (2) The law proposal pertaining to the law governing the Council of State,
- (3) The law proposal pertaining to the reorganization of administrative law,
- (4) The law proposal pertaining to the abolition of the High Court of Military Administration,
- (5) The law proposal governing the new office that is to be formed by the military judges and prosecutors who are currently assigned to the Supreme Court of Military Appeals.

Following the abolition of the High Court of Military Administration (the Supreme Court of Military Appeals) all cases being currently heard in that court will be concluded in administrative courts.

According to the information obtained, the formation of these courts will bring a new standard of "independence and assurance" to appointments in the judiciary. Consequently, judges who are to become members of the Council of State will have to be promoted from lower level administrative courts.

Elections to fill vacant seats at the Council of State are being tied to new guidelines. Four seats will have to become vacant before elections to fill any of them can be held. Three seats will be filled through the Council of High Court Judges and Prosecutors. The fourth seat would be filled by an appointment made by the Chief of State from among the ranks of administration officials at the highest level. In other words, the Chief of State will have the authority to appoint an ambassador, governor, counsellor, assistant counsellor or general director to the Council of State.

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